

Teleconference - July 30, 2015

Teleconference Presentation Material FY16/3 Q1



(Stock code: 2871)

1. Consolidated Results Summary

Performance in Core Businesses Exceeded Plan

(Billions of Yen)

	Q1			Q2 (Cumulative)					Full Year						
	Result	Y o Y		Forecast	Y o Y		Compared to Previous Forecast		Forecast	Y o Y		Compared to Previous Forecast		Compared to Business Plan	
		Variance	% Change		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance	Business Plan	Variance
Net Sales	128.6	4.0	3%	262.4	6.0	2%	262.4	0.0	529.0	9.0	2%	529.0	0.0	491.2	37.8
Processed Foods	48.6	1.9	4%	101.7	5.1	5%	101.7	0.0	204.0	10.1	5%	204.0	0.0	184.2	19.8
Marine Products	15.7	-0.5	-3%	33.3	-1.4	-4%	33.3	0.0	68.8	0.1	0%	68.8	0.0	65.0	3.8
Meat and Poultry	22.5	1.6	8%	41.8	-0.2	-0%	41.8	0.0	84.0	-5.5	-6%	84.0	0.0	73.5	10.5
Logistics	44.6	1.0	2%	91.7	2.7	3%	91.7	0.0	183.7	5.4	3%	183.7	0.0	179.0	4.7
Real Estate	1.2	0.0	2%	2.3	-0.2	-6%	2.3	0.0	4.7	-0.0	-1%	4.7	0.0	4.8	-0.1
Other	1.1	0.2	27%	2.1	0.3	18%	2.1	0.0	4.6	0.2	5%	4.6	0.0	4.5	0.1
Adjustment	-5.2	-0.3	—	-10.5	-0.5	—	-10.5	0.0	-20.8	-1.2	—	-20.8	0.0	-19.8	-1.0
Operating Income	4.5	1.5	51%	8.8	1.1	15%	8.8	0.0	18.7	1.3	7%	18.7	0.0	20.4	-1.7
Processed Foods	1.6	0.9	151%	3.1	1.0	46%	3.1	0.0	6.5	1.1	21%	6.5	0.0	8.2	-1.7
Marine Products	-0.0	-0.1	—	0.2	-0.0	-16%	0.2	0.0	0.5	0.3	104%	0.5	0.0	0.7	-0.2
Meat and Poultry	0.1	0.0	34%	0.2	-0.0	-5%	0.2	0.0	0.5	0.1	34%	0.5	0.0	0.7	-0.2
Logistics	2.4	0.6	34%	4.3	0.2	4%	4.3	0.0	9.1	0.4	4%	9.1	0.0	9.0	0.1
Real Estate	0.6	0.1	11%	1.0	-0.1	-5%	1.0	0.0	2.1	-0.0	-1%	2.1	0.0	2.1	0.0
Other	0.1	0.1	89%	0.2	0.1	77%	0.2	0.0	0.5	-0.1	-12%	0.5	0.0	0.5	0.0
Adjustment	-0.3	-0.0	—	-0.2	-0.0	—	-0.2	0.0	-0.5	-0.5	—	-0.5	0.0	-0.8	0.3
Ordinary Income	4.6	1.4	43%	8.4	0.8	11%	8.4	0.0	18.0	1.1	6%	18.0	0.0	19.7	-1.7
Net Income	2.9	1.3	81%	5.3	1.1	25%	5.3	0.0	11.3	1.8	19%	11.3	-0.5	12.0	-0.7

Exchange Rates	FY 16/3 (forecast)	FY 16/3 (actual)	FY 15/3 (actual)
USD/JPY	122.00	119.10	102.78
EUR/JPY	130.00	134.18	140.79

ROE(return on equity)	8.4%	0.8%	8.4%	—	8.8%	-0.4%
EPS	40yen	7yen	20%	40yen	—	

- Revenue expanded in the mainstay Processed Foods and Logistics businesses, with an increase in Meat and Poultry on a rise in market prices for meat.
- Earnings increased in the Logistics business, as well as for Processed Foods as a result of full-fledged benefits from cost-absorption measures implemented in the previous fiscal year.

- Forecasts are unchanged from those announced on May 12, 2015.

Notes

- Net income refers to "Net income attributable to owners of parent."
- From FY16/3, Nichirei has changed its accounting policy regarding the recording of sales in the Processed Foods business. (Promotional expenses that were previously recorded as selling cost are now deducted from net sales.) Accordingly, figures for previous fiscal years have been retroactively restated. See P6 for details.
- Exchange rate figure is the average for the January-March period.
- The comments in this presentation material, unless otherwise indicated, refer only to Q1 results.

2. Processed Foods

Profitability Improvement Measures for Prepared Frozen Foods Contributed to Earnings Gain

(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
Net Sales	48.6	1.9	4%	101.7	5.1	5%	101.7	0.0	204.0	10.1	5%	204.0	0.0
Household-use Prepared Foods	10.8	-0.3	-3%	23.0	0.4	2%	23.0	0.0	47.2	1.0	2%	47.2	0.0
Commercial-use Prepared Foods	20.8	-0.6	-3%	44.5	0.8	2%	44.5	0.0	91.4	3.1	4%	91.4	0.0
Processed Agricultural Products	4.9	0.6	15%	9.1	0.0	0%	9.1	0.0	17.3	0.0	0%	17.3	0.0
Overseas	7.4	1.3	21%	15.2	2.7	22%	15.2	0.0	30.9	4.2	16%	30.9	0.0
Other	4.7	0.9	23%	9.9	1.2	13%	9.9	0.0	17.2	1.6	10%	17.2	0.0
Operating Income	1.6	0.9	151%	3.1	1.0	46%	3.1	0.0	6.5	1.1	21%	6.5	0.0

Notes

From FY16/3, Nichirei has changed its accounting policy regarding the recording of sales in the Processed Foods business. (Promotional expenses that were previously recorded as selling cost are now deducted from net sales.) Accordingly, figures for previous fiscal years have been retroactively restated. See P6 for details.

1. Sales volume of prepared frozen foods declined as a result of price revisions implemented in the previous fiscal year. At the same time, sales of processed agricultural products rose sharply on greater demand as a substitute for fresh vegetables affected by inclement weather. Operating income rose despite continued increases in ingredient and purchasing costs due to the weak yen, mainly as a result of successful measures to raise profitability, including price revisions implemented in the previous fiscal year.
2. Overseas sales were driven by InnovAsian Cuisine in the U.S., where sales of Asian foods remain firm.
3. GFPT Nichirei (Thailand)'s sales declined on a local currency basis due mainly to a fall in domestic market prices, with operating income down sharply from initial forecasts.

3. Marine Products & Meat and Poultry

Revenue and Earnings Decline in Marine Products, Operating Income Flat for Meat and Poultry

(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
Marine Products	Net Sales	15.7	-0.5	-3%	33.3	-1.4	-4%	33.3	0.0	68.8	0.1	0%	68.8	0.0
	Operating Income	-0.0	-0.1	—	0.2	-0.0	-16%	0.2	0.0	0.5	0.3	104%	0.5	0.0
Meat and Poultry	Net Sales	22.5	1.6	8%	41.8	-0.2	-0%	41.8	0.0	84.0	-5.5	-6%	84.0	0.0
	Operating Income	0.1	0.0	34%	0.2	-0.0	-5%	0.2	0.0	0.5	0.1	34%	0.5	0.0

1. Marine Products: Violent fluctuations in the market price for salmon made securing profit difficult. Profitability of processed shrimp products also deteriorated as a result of insufficient cost reductions due to diversification in suppliers. Market prices are expected to remain high overall from 2Q, and we will continue to concentrate on judicious buying and sales emphasizing inventory turnover.

2. Meat and Poultry: Profitability of imported pork deteriorated as market prices softened amid high inventory rates. At the same time, expanded sales of domestic chicken and beef, benefiting from higher prices amid tight supply, kept operating income on a par with the previous fiscal year. Sales increased to the home meal replacement (HMR) and restaurant markets, which we had prioritized at the beginning of the period.

Results Steadily Rising Centered on Domestic Business

(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
Net Sales	44.6	1.0	2%	91.7	2.7	3%	91.7	0.0	183.7	5.4	3%	183.7	0.0
Japan Subtotal	36.5	0.7	2%	74.9	1.7	2%	74.9	0.0	148.8	4.1	3%	148.8	0.0
Logistics Network	22.4	-0.4	-2%	46.0	-0.1	-0%	46.0	0.0	91.8	0.4	0%	91.8	0.0
Regional Storage	14.2	1.0	8%	28.9	1.8	7%	28.9	0.0	57.0	3.7	7%	57.0	0.0
Overseas	7.7	0.4	6%	16.0	1.0	7%	16.0	0.0	32.3	1.0	3%	32.3	0.0
Other/Intersegment	0.4	-0.1	-16%	0.8	-0.0	-4%	0.8	0.0	2.6	0.3	15%	2.6	0.0
Operating Income	2.4	0.6	34%	4.3	0.2	4%	4.3	0.0	9.1	0.4	4%	9.1	0.0
Japan Subtotal	2.4	0.6	37%	4.0	0.2	6%	4.0	0.0	8.3	0.6	8%	8.3	0.0
Logistics Network	0.9	0.3	50%	1.6	0.2	16%	1.6	0.0	3.4	0.2	7%	3.4	0.0
Regional Storage	1.4	0.3	29%	2.4	0.0	1%	2.4	0.0	4.9	0.4	8%	4.9	0.0
Overseas	0.2	-0.0	-3%	0.6	0.1	20%	0.6	0.0	1.1	0.1	9%	1.1	0.0
Other/Intersegment	-0.2	-0.0	—	-0.3	-0.2	—	-0.3	0.0	-0.3	-0.3	—	-0.3	0.0

1. Japan: Revenue rose on the boost from new Sakishima Distribution Center that commenced operations in the previous fiscal year. Transport costs continue to rise, but earnings increased as a result of full-fledged benefits from transport streamlining and other cost-absorption measures, along with high inventory volumes for freight storage, mainly in the Tokyo metropolitan area.

2. Overseas: Revenue increased in Europe on continued expansion in shipping volume. Operating income was down slightly as a result of exchange rates, but earnings were up on a local currency basis as a result of steady gains in light processing accompanying fruit juice inventories and other operations.

Consolidated Balance Sheet

(Billions of Yen)

Item	15/3	15/6	Variance	
[Assets]				
Current assets	138.7	142.7	4.0	(1)
Fixed assets	203.2	203.2	-0.0	
Total assets	342.0	346.0	4.0	
[Liabilities / Owner's equity]				
Current liabilities	89.7	92.4	2.6	
Long-term liabilities	99.9	100.2	0.2	
Total liabilities	189.7	192.6	2.9	
Net assets	152.2	153.3	1.0	
(Owner's equity)	130.3	131.8	1.4	
Interest-bearing debt	107.6	111.8	4.1	(2)
(Excluding lease obligations)	87.3	91.8	4.5	
Item	14/6	15/6	Variance	
Capital investments	2.9	3.3	0.3	
(Excluding leased assets)	2.5	2.6	0.1	
Depreciation and amortization	3.6	4.0	0.3	
(Excluding leased assets)	2.7	3.0	0.3	

Notes

1. Amounts less than 100 million yen are omitted.
2. Capital investments include intangible fixed assets.

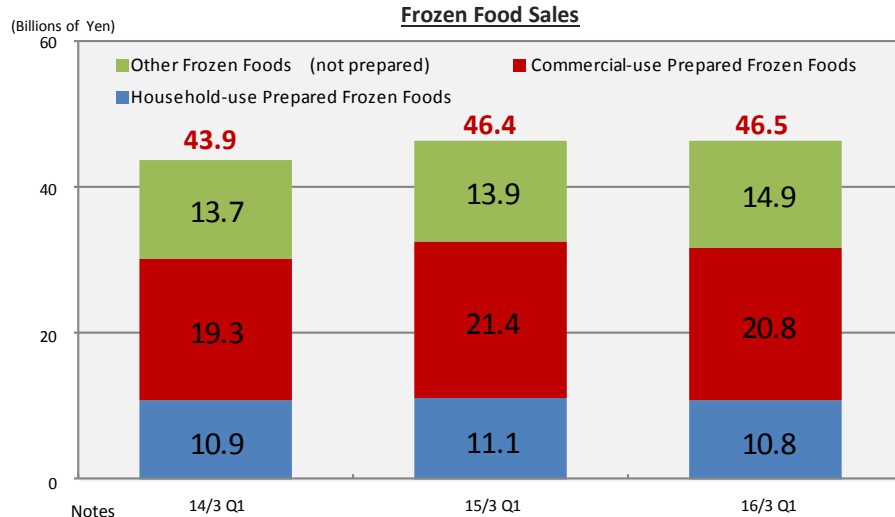
Main Factors

- (1) Inventories +¥3.0bn
(Seasonal factors)
- (2) Interest-bearing debt +¥4.1bn
(Along with additional operating assets, capital needs increased as a result of seasonal factors including dividend payments and taxes)

Effect of Change in Recording Standards for Processed Foods Sales

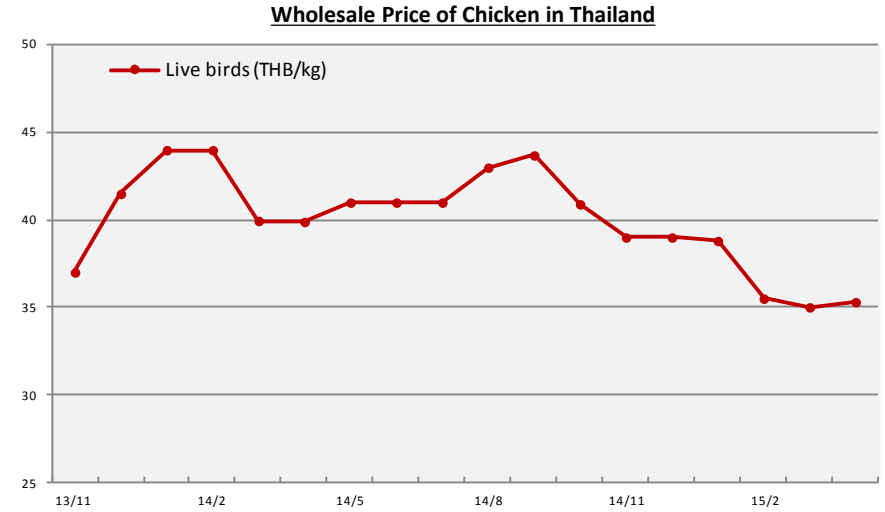
(Billions of Yen)

	After the Change			Prior to the Change			Variance due to Change		
	FY2014			FY2014			FY2014		
	Q1	Q2 (Cumulative)	Full Year	Q1	Q2 (Cumulative)	Full Year	Q1	Q2 (Cumulative)	Full Year
Net Sales Total	124.6	256.4	520.0	130.8	269.2	545.3	-6.2	-12.8	-25.3
Processed Food Total	46.7	96.6	193.9	52.9	109.3	219.3	-6.2	-12.8	-25.3
Household-use Prepared Foods	11.1	22.6	46.2	14.4	29.2	59.7	-3.3	-6.6	-13.5
Commercial-use Prepared Foods	21.4	43.7	88.3	23.5	48.0	96.5	-2.1	-4.3	-8.3
Processed Agricultural Products	4.3	9.1	17.3	4.9	10.3	19.7	-0.6	-1.2	-2.4
Overseas	6.1	12.5	26.7	6.1	12.5	26.7	0.0	0.0	0.0
Other	3.8	8.7	15.6	4.1	9.3	16.7	-0.2	-0.6	-1.1
Operating Income	3.0	7.7	17.4	2.8	7.7	17.6	0.1	-0.0	-0.2
Processed Food	0.6	2.1	5.4	0.5	2.2	5.6	0.1	-0.0	-0.2
Net Income	1.6	4.2	9.5	1.5	4.3	9.7	0.1	-0.0	-0.2

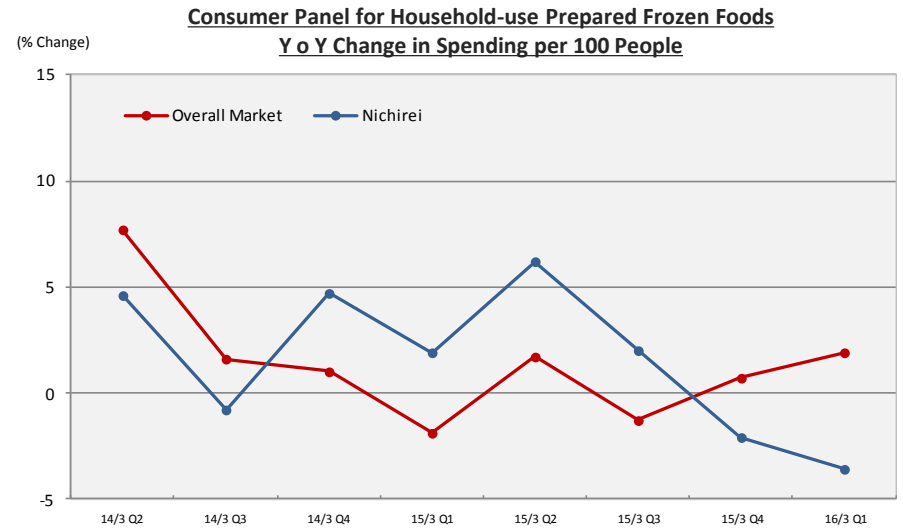
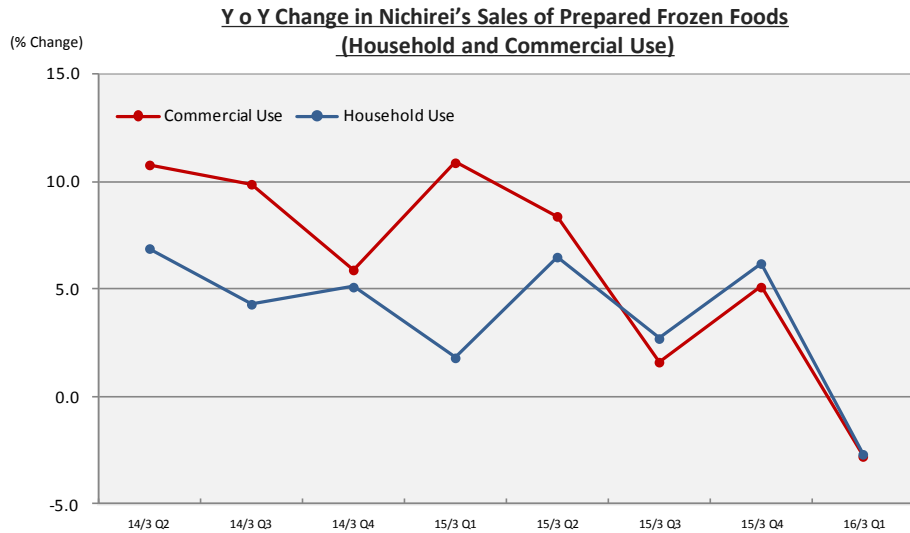


Notes

1. Includes sales of marine products and meat as well as processed foods, based on definitions from the Japan Frozen Food Association.
2. 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)

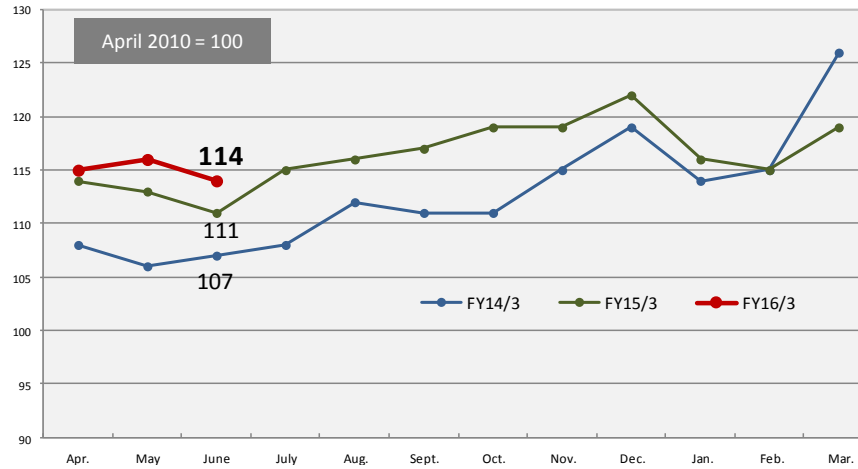


Source: Nichirei, from data published by the Agriculture & Livestock Industries Corporation (alic)



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

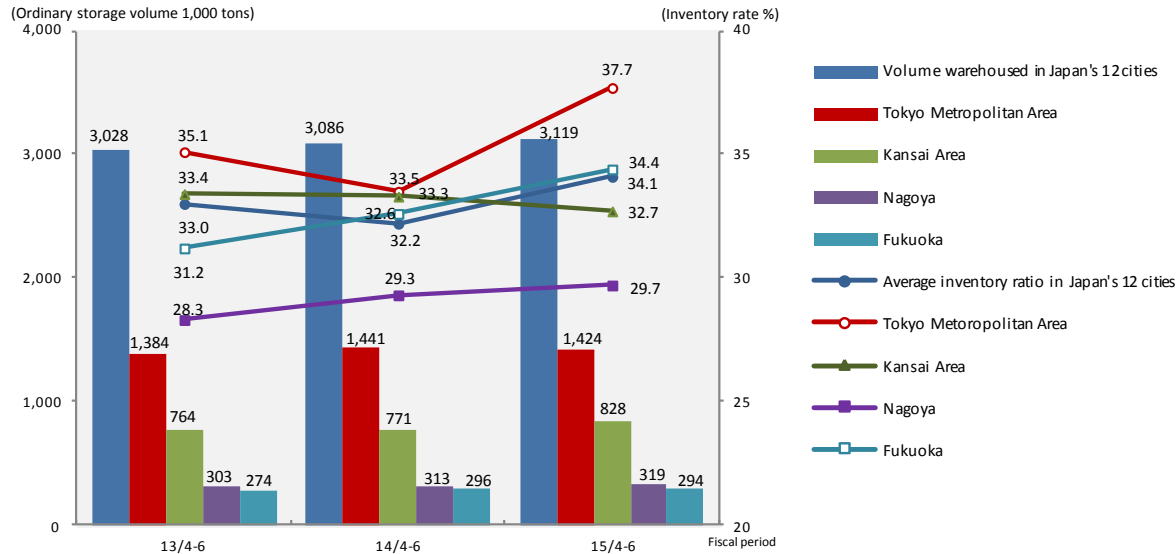
Freight Charge Index (Monthly)



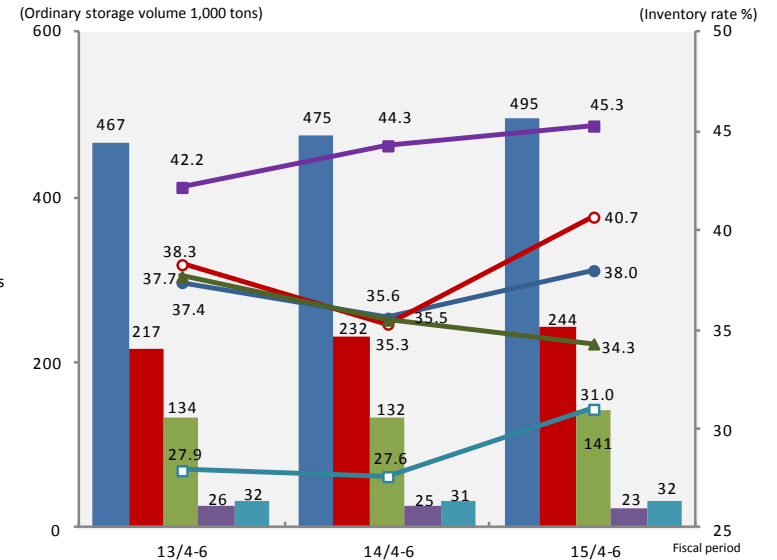
Source: Nichirei, from data published by the Japan Trucking Association

[Cold Storage Capacity Utilization]

Industry-Wide Cold Storage Capacity Utilization



Nichirei Group's 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.

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.

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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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