

# Earnings Results for FY16/3 Q2



(Stock code: 2871)

# 1. Consolidated Results Summary

## Positive Performance in Core Businesses, Record High Earnings Expected for Full Year

(Billions of Yen)

	Q2 (Cumulative)					Q3 and Q4 (Cumulative)					Full Year						
	Result	Y o Y		Compared to Previous Forecast		Forecast	Y o Y		Compared to Previous Forecast		Forecast	Y o Y		Compared to Previous Forecast		Compared to Business Plan	
		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance	Business Plan	Variance
<b>Net Sales</b>	<b>265.3</b>	8.9	3%	262.4	2.9	<b>261.8</b>	-1.8	-1%	266.6	-4.8	<b>527.1</b>	7.1	1%	529.0	-1.9	491.2	35.9
Processed Foods	100.1	3.5	4%	101.7	-1.6	98.4	1.1	1%	102.3	-3.9	198.5	4.6	2%	204.0	-5.5	184.2	14.3
Marine Products	34.0	-0.6	-2%	33.3	0.7	34.9	0.9	3%	35.5	-0.6	68.9	0.2	0%	68.8	0.1	65.0	3.9
Meat and Poultry	45.0	3.0	7%	41.8	3.2	43.1	-4.4	-9%	42.2	0.9	88.1	-1.4	-2%	84.0	4.1	73.5	14.6
Logistics	91.7	2.7	3%	91.7	-0.0	90.3	1.0	1%	92.0	-1.7	182.0	3.7	2%	183.7	-1.7	179.0	3.0
Real Estate	2.3	-0.1	-6%	2.3	0.0	2.4	0.1	4%	2.4	-0.0	4.7	-0.0	-1%	4.7	0.0	4.8	-0.1
Other	2.3	0.6	32%	2.1	0.2	2.6	-0.0	-2%	2.5	0.1	4.9	0.5	12%	4.6	0.3	4.5	0.4
Adjustment	-10.1	-0.1	—	-10.5	0.4	-9.9	-0.4	—	-10.3	0.4	-20.0	-0.4	—	-20.8	0.8	-19.8	-0.2
<b>Operating Income</b>	<b>10.4</b>	2.7	35%	8.8	1.6	<b>9.6</b>	-0.1	-1%	9.9	-0.3	<b>20.0</b>	2.6	15%	18.7	1.3	20.4	-0.4
Processed Foods	3.4	1.3	62%	3.1	0.3	3.4	0.1	3%	3.4	-0.0	6.8	1.4	26%	6.5	0.3	8.2	-1.4
Marine Products	0.1	-0.1	-55%	0.2	-0.1	0.3	0.3	—	0.3	-0.0	0.4	0.2	63%	0.5	-0.1	0.7	-0.3
Meat and Poultry	0.3	0.1	57%	0.2	0.1	0.3	0.1	65%	0.3	-0.0	0.6	0.2	60%	0.5	0.1	0.7	-0.1
Logistics	5.3	1.2	29%	4.3	1.0	4.7	0.1	2%	4.8	-0.1	10.0	1.3	15%	9.1	0.9	9.0	1.0
Real Estate	1.1	0.1	8%	1.0	0.1	1.0	-0.1	-10%	1.1	-0.1	2.1	-0.0	-1%	2.1	0.0	2.1	0.0
Other	0.4	0.2	217%	0.2	0.2	0.2	-0.2	-47%	0.3	-0.1	0.6	0.0	6%	0.5	0.1	0.5	0.1
Adjustment	-0.3	-0.1	—	-0.2	-0.1	-0.2	-0.4	—	-0.3	0.1	-0.5	-0.5	—	-0.5	0.0	-0.8	0.3
<b>Ordinary Income</b>	<b>10.3</b>	2.7	36%	8.4	1.9	<b>9.1</b>	-0.2	-2%	9.6	-0.5	<b>19.4</b>	2.5	15%	18.0	1.4	19.7	-0.3
<b>Net Income</b>	<b>6.3</b>	2.1	49%	5.3	1.0	<b>5.7</b>	0.4	7%	6.0	-0.3	<b>12.0</b>	2.5	26%	11.3	0.7	12.0	0.0

Exchange Rates	FY 16/3 (forecast)	FY 16/3 (actual)	FY 15/3 (actual)
USD/JPY	122.00	120.24	102.47
EUR/JPY	135.00	134.17	140.43

ROE (return on equity)	8.9%	1.4%	8.4%	0.5%	8.8%	0.1%
EPS	42yen	9yen	27%	40yen	2yen	

1. Net sales rose, led by mainstay Processed Foods and Logistics businesses. Revenue gains forecast for full year.

### 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 P12 for details.
- Exchange rate figure is the average for the January-June period.
- In this page, ROE is defined as Net income to Shareholder's equity, which does not include Accumulated other comprehensive income or Minority interests.
- The comments in this presentation material, unless otherwise indicated, refer only to first half results.

2. Operating income increased with contributions from Processed Foods and Logistics businesses. Substantial earnings gain of ¥2.6bn forecast for full year.

3. Full-year forecasts changed. We anticipate record high figures for operating income, ordinary income, and net income.

### Strengthen the long-term management foundation

#### 1. Achieve sustainable growth centered on core businesses

- 1) Japan: Pursue asset efficiency to achieve earnings growth
- 2) Overseas: Expand business scale for growth in both revenue and earnings

#### 2. Effective utilization of capital and debt to achieve sustainable growth

- 1) Continued growth investments
- 2) Financial strategies
  - a. Maintain financial soundness
  - b. Focus on capital efficiency
  - c. Ensure stable and continued shareholder returns

### Conduct management with consideration for ESG

(environmental, social and governance)

#### **Basic Group CSR Policy (Six Areas of Responsibility) formulated in 2005**

- 1) Create new products and services that increase consumers' satisfaction
- 2) Improve employee job satisfaction
- 3) Ensure thorough legal compliance initiatives
- 4) Exercise transparent and speedy management
- 5) Minimize negative environmental impact
- 6) Contribute to society in line with Nichirei's corporate character

## 2. Strategies for Long-Term Increase in Enterprise Value

### External Environment in the Processed Foods Business, and Issues for Nichirei

		Positive Factors	Negative Factors
External Environment	Japan	Labor shortage in the retail and restaurant industries	Increasing competition across temperature bands in growth sectors
		More meals being eaten outside the home (more women working, fewer children and more elderly, rise in single and two-person households)	Rising ingredient and purchasing costs (food shortages due to global population growth)
	Overseas	Asian foods becoming an established part of the U.S. food culture; Market scale to expand further	Increasingly fierce competition for market share within industry



Issues for Nichirei	Japan	Improve profitability by optimizing the value chain
		Provide new value to meet changes in demand
	Overseas	Expand business scale, focusing on the North American business

## 2. Strategies for Long-Term Increase in Enterprise Value

### External Environment in the Logistics Business, and Issues for Nichirei

		Positive Factors	Negative Factors
External Environment	Japan	Increase in logistics optimization needs in the retail and restaurant businesses	Rising costs for transport outsourcing and loading operations due to structural labor shortage
		Increase in food imports after enactment of TPP, mainly in major urban areas	Decline in storage demand in certain areas due to new roadway infrastructure, and populations concentrated in urban areas
	Overseas	Increase in cargo volumes within Europe due to moderate economic recovery in the region	Rising construction costs due to demand related to the Tokyo Olympics
			Aging of cold storage warehouses
			Increasing competition in Europe, as Eastern European transport companies move into Western Europe as a result of the EU's embargo on Russia



Issues for Nichirei	Japan	Respond to rising costs stemming from labor shortages
		Explore new business domains to support further growth
	Overseas	Further strengthen business foundations in Europe

### 3. Processed Foods

## Profitability Improvement Measures Successful, Operating Income Exceeds Initial Forecasts

(Billions of Yen)

	Q2 (Cumulative)					Q3 and Q4 (Cumulative)					Full Year				
	Result	Y o Y		Compared to Previous Forecast		Forecast	Y o Y		Compared to Previous Forecast		Forecast	Y o Y		Compared to Previous Forecast	
		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>100.1</b>	3.5	4%	101.7	-1.6	<b>98.4</b>	1.1	1%	102.3	-3.9	<b>198.5</b>	4.6	2%	204.0	-5.5
Household-use Prepared Foods	<b>22.7</b>	0.1	1%	23.0	-0.3	<b>24.2</b>	0.6	2%	24.2	-0.0	<b>46.9</b>	0.7	2%	47.2	-0.3
Commercial-use Prepared Foods	<b>42.2</b>	-1.5	-3%	44.5	-2.3	<b>44.4</b>	-0.1	-0%	46.9	-2.5	<b>86.6</b>	-1.7	-2%	91.4	-4.8
Processed Agricultural Products	<b>9.9</b>	0.9	10%	9.1	0.8	<b>8.4</b>	0.2	2%	8.2	0.2	<b>18.3</b>	1.0	6%	17.3	1.0
Overseas	<b>15.3</b>	2.9	23%	15.2	0.1	<b>14.7</b>	0.5	3%	15.7	-1.0	<b>30.0</b>	3.3	13%	30.9	-0.9
Other	<b>9.9</b>	1.1	13%	9.9	-0.0	<b>6.8</b>	-0.0	-0%	7.3	-0.5	<b>16.7</b>	1.1	7%	17.2	-0.5
<b>Operating Income</b>	<b>3.4</b>	1.3	62%	3.1	0.3	<b>3.4</b>	0.1	3%	3.4	-0.0	<b>6.8</b>	1.4	26%	6.5	0.3

**Notes**

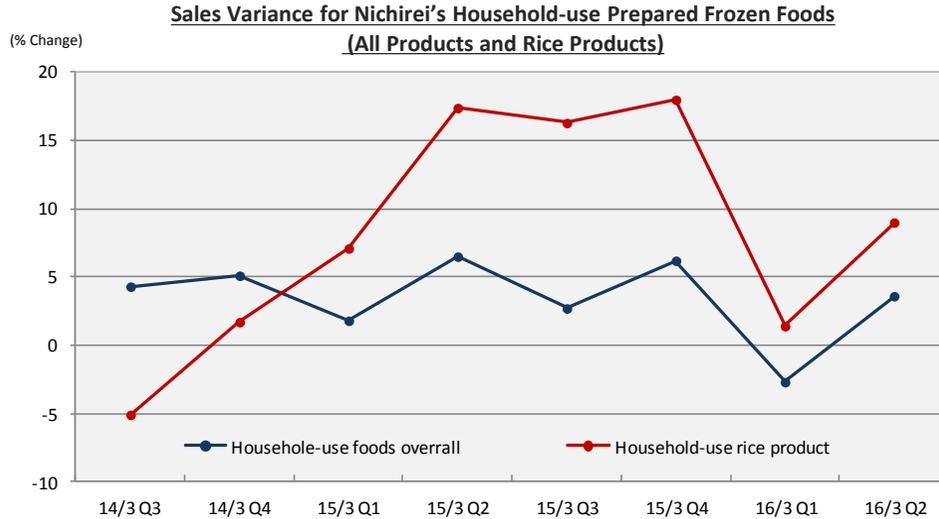
From FY16/3, Nichirei has changed its accounting policy regarding the recording of sales in the Processed Foods business. (Promotional expenses that were previously recorded as selling cost are now deducted from net sales.) Accordingly, figures for previous fiscal years and current fiscal years have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

- Household-use Prepared Foods:** Sales rose on growth in mainstay rice products, following TV commercials broadcast in Q2.

**Commercial-use Prepared Foods:** Sales declined due to a focus on product measures emphasizing profitability. Segment operating income increased as a result of profit improvement measures, including price revisions implemented in the previous fiscal year, offsetting the continued increase in ingredient and purchasing costs due to the weak yen.
- During 2H, performance will continue to be affected by rising ingredient and purchasing costs due to the weak yen, but we anticipate earnings gains as a result of the above-mentioned price revisions, along with integration and efficiency improvements stemming from strengthening of the domestic production structure.

# 3. Processed Foods

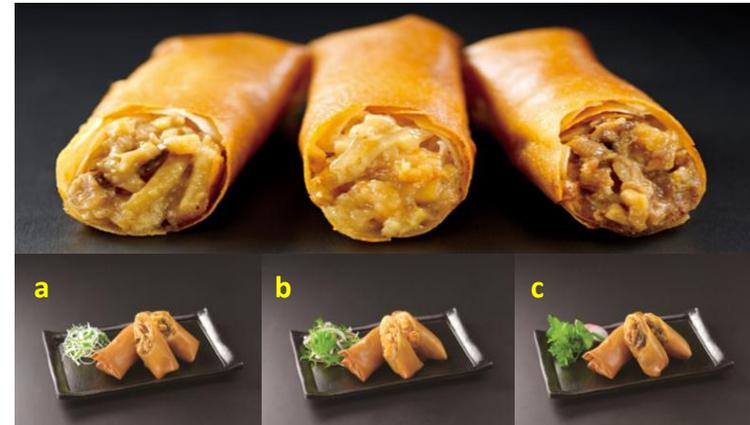
## Expand Sales of Mainstay Products, Alongside Continued Measures for Commercial-Use Foods Emphasizing Profitability



### Commercial-use Prepared Foods **New Harumaki Spring Rolls**

Three features of the new *Harumaki* Spring Rolls

- 1) Crispy and light texture, scrumptious appearance
- 2) Intense flavors in the fillings
- 3) Full, plump shape like homemade

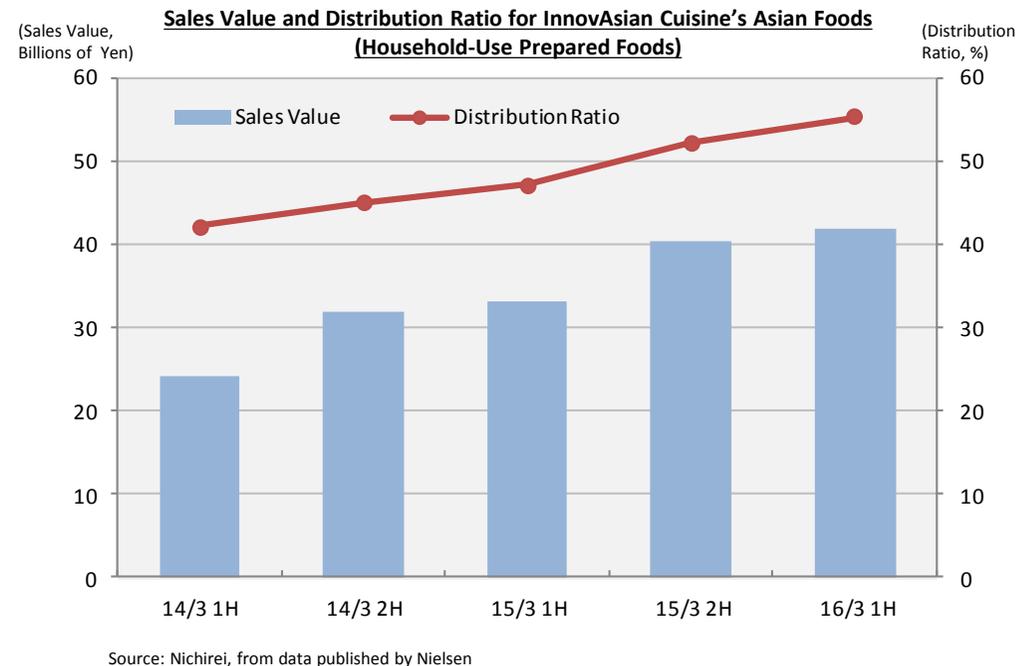
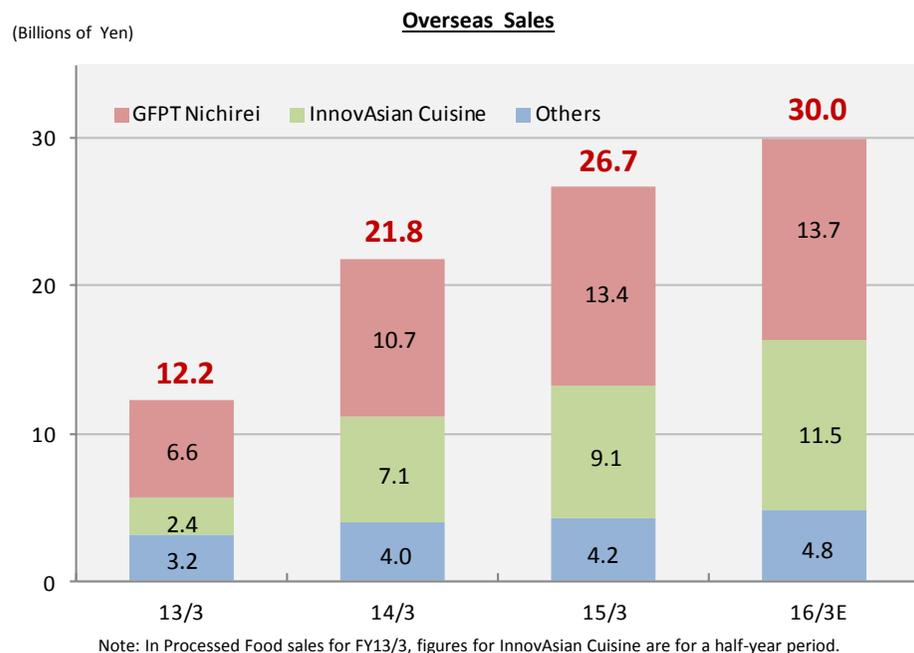


- a. Authentic Chinese – Premium Ingredient Crispy Spring Roll
- b. Extravagant Chinese – Premium Seafood Crispy Spring Roll
- c. Extravagant Chinese – Premium Meat Crispy Spring Roll

1. Household-use Prepared Foods: Continue to expand sales of rice products, and increase turnover for mainstay products through consumer campaigns and additional volume promotions.

2. Commercial-use Prepared Foods: Expand sales focusing on mainstay products, such as the new Harumaki spring rolls launched in fall 2015 and utilizing new processing technologies, as well as continuing product measures emphasizing profitability.

## Growth in Overseas Sales Centered on U.S.'s InnovAsian Cuisine



1. InnovAsian Cuisine's performance remains positive on sales of household-use products at major volume retail chains. Profitability has also improved with the establishment of an individual product-based profit management system. For 2H, we anticipate expanded sales for commercial-use products to delicatessens, and for the full-year period are forecasting new sales of ¥11.5bn, with operating income of ¥0.4bn (after goodwill costs).

2. GFPT Nichirei (Thailand) recorded a sharp decline in earnings during 1H mainly as a result of sluggish domestic market prices. Market prices remain at low levels, but we anticipate improved earnings in 2H as a result of higher profitability from exports due to the weak Thai baht, along with cost reductions realized by mechanization of the slaughter line.

## 4. Marine Products & Meat and Poultry

### Marine Products Results Recovering, Meat and Poultry Remains Steady

(Billions of Yen)

		Q2 (Cumulative)					Q3 and Q4 (Cumulative)					Full Year				
		Result	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast	
			Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	34.0	-0.6	-2%	33.3	0.7	34.9	0.9	3%	35.5	-0.6	68.9	0.2	0%	68.8	0.1
	Operating Income	0.1	-0.1	-55%	0.2	-0.1	0.3	0.3	—	0.3	-0.0	0.4	0.2	63%	0.5	-0.1
Meat and Poultry	Net Sales	45.0	3.0	7%	41.8	3.2	43.1	-4.4	-9%	42.2	0.9	88.1	-1.4	-2%	84.0	4.1
	Operating Income	0.3	0.1	57%	0.2	0.1	0.3	0.1	65%	0.3	-0.0	0.6	0.2	60%	0.5	0.1

1. Marine Products: Q2 performance recovery compared to Q1, including improvement in the profitability of processed shrimp products. During 2H, we will expand sales during the Q3 period when demand customarily peaks, conduct careful buying mainly for ingredients in preparation for sudden market fluctuations, and continue to increase sales with an emphasis on inventory turnover.

2. Meat and Poultry: Results were boosted by revenue and earnings gains for domestically produced chicken and beef, sales prices for which have risen due to supply shortages. During 2H, we will fully utilize our procurement bases to expand sales of domestically produced chicken. We will also strengthen sales of processed foods to the steadily growing home meal replacement (HMR) channel.

## 1H Operating Income Greatly Exceeds Plan, 2H Results Expected to Surpass Forecasts

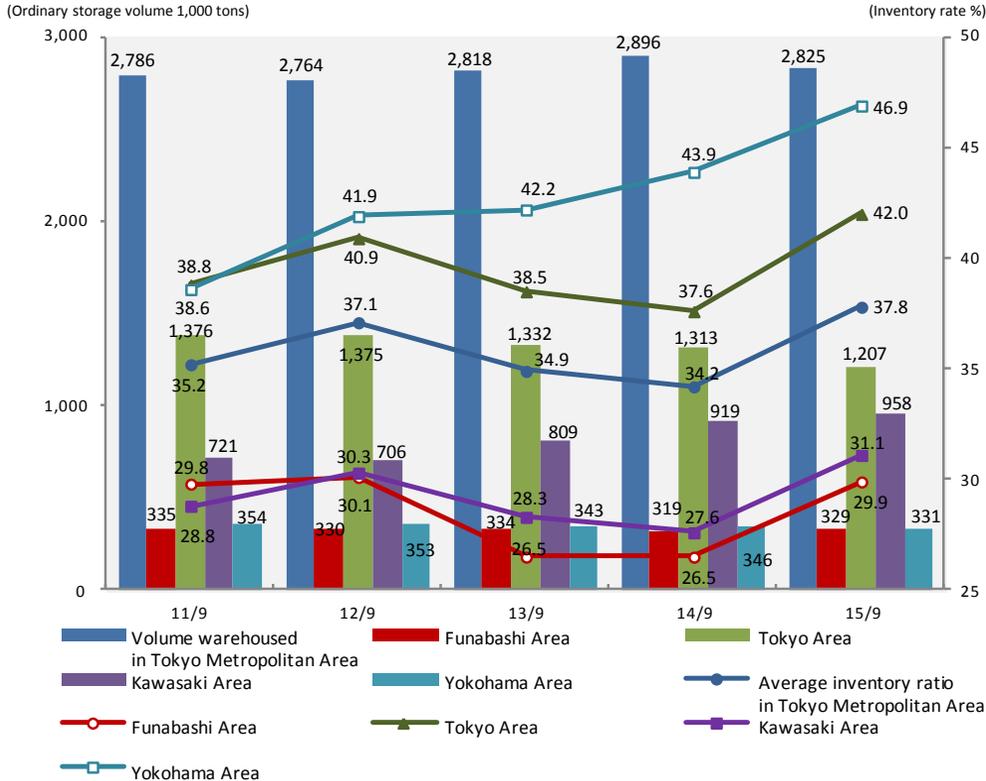
(Billions of Yen)

	Q2 (Cumulative)					Q3 and Q4 (Cumulative)					Full Year				
	Result	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>91.7</b>	2.7	3%	91.7	-0.0	<b>90.3</b>	1.0	1%	92.0	-1.7	<b>182.0</b>	3.7	2%	183.7	-1.7
Japan Subtotal	<b>74.5</b>	1.3	2%	74.9	-0.4	<b>72.0</b>	0.4	1%	73.9	-1.9	<b>146.5</b>	1.8	1%	148.8	-2.3
Logistics Network	<b>45.6</b>	-0.6	-1%	46.0	-0.4	<b>44.1</b>	-1.2	-3%	45.8	-1.7	<b>89.7</b>	-1.7	-2%	91.8	-2.1
Regional Storage	<b>28.9</b>	1.9	7%	28.9	0.0	<b>27.9</b>	1.6	6%	28.1	-0.2	<b>56.8</b>	3.5	7%	57.0	-0.2
Overseas	<b>16.4</b>	1.4	9%	16.0	0.4	<b>16.6</b>	0.3	2%	16.3	0.3	<b>33.0</b>	1.7	5%	32.3	0.7
Other/Intersegment	<b>0.8</b>	-0.0	-6%	0.8	-0.0	<b>1.7</b>	0.3	20%	1.8	-0.1	<b>2.5</b>	0.2	10%	2.6	-0.1
<b>Operating Income</b>	<b>5.3</b>	1.2	29%	4.3	1.0	<b>4.7</b>	0.1	2%	4.8	-0.1	<b>10.0</b>	1.3	15%	9.1	0.9
Japan Subtotal	<b>4.9</b>	1.1	30%	4.0	0.9	<b>4.3</b>	0.3	9%	4.3	0.0	<b>9.2</b>	1.5	19%	8.3	0.9
Logistics Network	<b>2.0</b>	0.6	45%	1.6	0.4	<b>1.8</b>	-0.0	-1%	1.8	-0.0	<b>3.8</b>	0.6	19%	3.4	0.4
Regional Storage	<b>2.9</b>	0.5	22%	2.4	0.5	<b>2.5</b>	0.4	17%	2.5	0.0	<b>5.4</b>	0.9	19%	4.9	0.5
Overseas	<b>0.6</b>	0.1	21%	0.6	0.0	<b>0.5</b>	-0.0	-3%	0.5	-0.0	<b>1.1</b>	0.1	9%	1.1	0.0
Other/Intersegment	<b>-0.2</b>	-0.1	—	-0.3	0.1	<b>-0.1</b>	-0.2	—	0.0	-0.1	<b>-0.3</b>	-0.3	—	-0.3	0.0

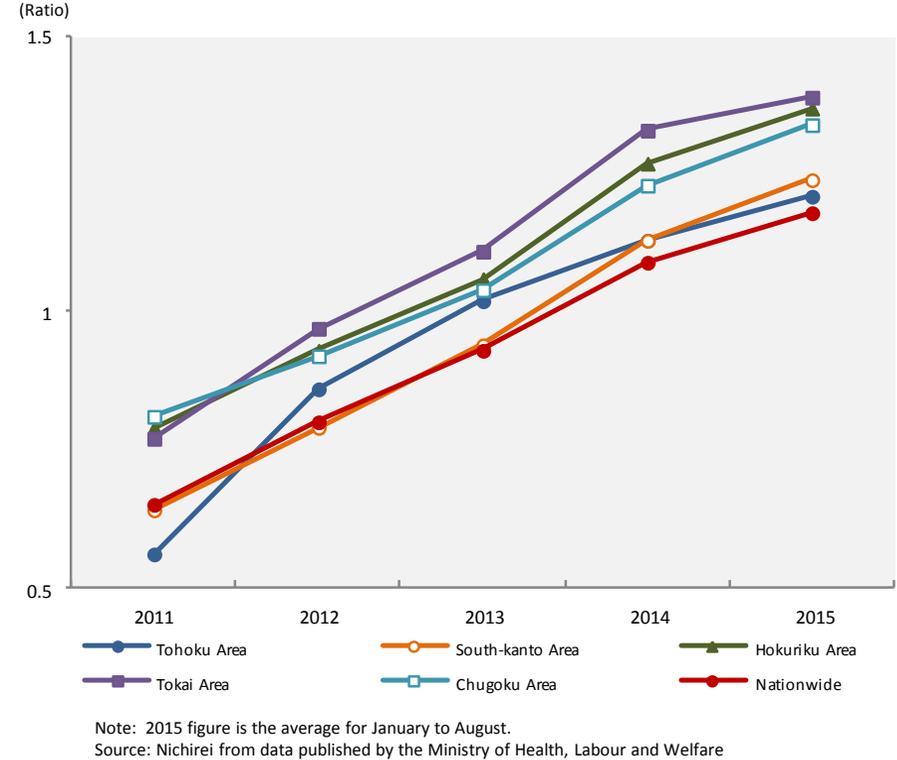
- Japan: Revenue rose on the boost from new Sakishima Distribution Center that commenced operations in the previous fiscal year. Transport costs remain high, but earnings increased as a result of benefits from transport streamlining and other cost-absorption measures, along with high inventory volumes of cold storage, mainly in the Tokyo metropolitan area.
- Overseas: Revenue increased in Europe on continued expansion in shipping volume. Operating income increased on recovery in inventory levels from Q2 at cold storage warehouses in France and the Netherlands. During 2H, we will continue with efforts to gain new customers, and expand cargo collection from existing customers.

## Domestic Business Growing Steadily, New Cost Increases Becoming a Factor

**Industry-Wide Cold Storage Capacity Utilization in Tokyo Metropolitan Area**



**Effective Opening-to-Application Ratio by Region**



1. Inventories remain at a high level, centered on the Tokyo waterfront district, where the industry-wide warehouse capacity has dipped sharply with the renovation and rebuilding of Tokyo Danchi Reizo. During 2H, we expect warehouse capacity to remain tight, mainly in the Tokyo and Osaka areas.

2. Japan is suffering from a structural labor shortage, and the lack of qualified truck drivers and warehouse personnel has become manifest. We will make efforts to secure appropriate personnel levels, and to further operational improvements, including greater efficiency in cargo operations.

## Results during Management Plan Periods

(Billions of Yen)

	Management Plan (FY05/3-FY07/3)			Management Plan (FY08/3-FY10/3)			energy 2012 (FY11/3-13/3)			RISING 2015 (FY14/3-16/3)			
	05/3	06/3	07/3	08/3	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3E	
<b>Net Sales</b>	<b>461.4</b>	<b>469.4</b>	<b>457.7</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>519.9</b>	<b>527.1</b>	
Processed Foods	178.5	184.8	177.3	175.0	174.0	162.1	161.9	174.2	161.6	180.7	193.9	198.5	
Marine Products	90.0	81.1	74.7	74.7	76.1	67.2	66.8	65.7	63.7	68.6	68.7	68.9	
Meat and Poultry	84.7	84.6	80.9	83.9	92.5	77.6	78.3	75.6	75.5	80.1	89.5	88.1	
Logistics	116.7	127.1	134.1	138.7	142.3	139.0	139.4	149.5	156.4	168.4	178.3	182.0	
Real Estate	9.2	10.0	7.9	7.5	7.4	7.0	6.6	4.9	4.7	5.0	4.7	4.7	
Other	8.2	8.7	7.0	6.3	6.6	6.9	6.2	6.0	5.8	3.7	4.4	4.9	
Adjustment	-26.0	-27.0	-24.1	-22.6	-24.4	-21.7	-21.5	-21.0	-20.0	-19.1	-19.6	-20.0	
<b>Operating Income</b>	<b>13.5</b>	<b>16.0</b>	<b>18.1</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>20.0</b>	
Processed Foods	4.3	5.5	6.0	4.1	2.0	2.6	4.6	5.2	6.0	3.4	5.4	6.8	
Marine Products	-1.0	-1.7	-0.4	-0.5	0.3	0.9	0.6	0.2	0.1	0.4	0.2	0.4	
Meat and Poultry	0.4	0.3	0.6	0.6	-0.0	0.7	0.4	0.5	0.5	0.1	0.4	0.6	
Logistics	3.6	5.8	7.2	8.5	8.2	7.9	7.3	7.4	8.6	8.9	8.7	10.0	
Real Estate	6.0	6.1	4.5	4.3	4.0	3.7	3.6	2.4	2.3	2.4	2.1	2.1	
Other	0.2	0.1	0.1	0.2	0.2	0.4	0.4	0.5	0.4	0.4	0.6	0.6	
Adjustment	-0.0	-0.1	0.0	0.1	0.4	0.7	-0.2	0.0	0.0	0.1	-0.0	-0.5	
<b>Ordinary Income</b>	<b>12.9</b>	<b>15.7</b>	<b>17.4</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>19.4</b>	
<b>Net Income</b>	<b>5.9</b>	<b>6.3</b>	<b>10.8</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>12.0</b>	
<b>Amount of capital investment</b>	including leased assets	—	—	—	—	14.9	24.4	22.1	12.2	13.2	24.0	24.2	20.3
	excluding leased assets	6.4	7.5	9.8	7.8	12.8	18.0	18.1	9.4	10.7	21.2	19.8	17.1
<b>Interest-bearing debt</b>	including leased debt	—	—	—	—	110.5	85.8	97.0	97.8	96.9	106.1	107.7	
	excluding leased debt	112.0	86.2	73.0	66.1	87.9	60.9	72.5	74.8	75.4	85.7	87.3	
<b>D/E ratio (times)</b>	including leased debt	—	—	—	—	1.0	0.7	0.8	0.8	0.8	0.8	0.7	
	excluding leased debt	1.2	0.8	0.6	0.6	0.8	0.5	0.6	0.6	0.6	0.6	0.6	
<b>Capital adequacy ratio (%)</b>		34.0	38.2	41.3	44.3	38.6	43.1	40.4	40.2	41.3	41.9	43.0	
<b>ROE (%)</b>		6.4	6.4	10.1	8.5	5.3	7.9	3.4	6.8	8.2	6.9	6.8	

### Notes

- 1) In accordance with a change in lease accounting standards, from FY09/3 lease assets and lease obligations are recorded on the balance sheets.
- 2) Capital investments include intangible fixed assets.
- 3) 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.)
- 4) In this page, ROE is defined as Net income to Ownership equity, which does include Accumulated other comprehensive income but not Minority interests.

## 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		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
<b>Net Sales Total</b>	<b>256.4</b>	<b>263.5</b>	<b>519.9</b>	<b>269.1</b>	<b>276.1</b>	<b>545.2</b>	<b>-12.7</b>	<b>-12.6</b>	<b>-25.3</b>
<b>Processed Food Total</b>	<b>96.6</b>	<b>97.3</b>	<b>193.9</b>	<b>109.3</b>	<b>109.9</b>	<b>219.2</b>	<b>-12.7</b>	<b>-12.6</b>	<b>-25.3</b>
Household-use Prepared Foods	22.6	23.6	46.2	29.2	30.5	59.7	-6.6	-6.9	-13.5
Commercial-use Prepared Foods	43.7	44.6	88.3	48.0	48.5	96.5	-4.3	-3.9	-8.2
Processed Agricultural Products	9.1	8.1	17.2	10.3	9.4	19.7	-1.2	-1.3	-2.5
Overseas	12.5	14.2	26.7	12.5	14.2	26.7	0.0	0.0	0.0
Other	8.7	6.8	15.5	9.3	7.3	16.6	-0.6	-0.5	-1.1
<b>Operating Income</b>	<b>7.7</b>	<b>9.7</b>	<b>17.4</b>	<b>7.7</b>	<b>9.9</b>	<b>17.6</b>	<b>-0.0</b>	<b>-0.2</b>	<b>-0.2</b>
Processed Food	2.1	3.3	5.4	2.2	3.4	5.6	-0.0	-0.2	-0.2
<b>Net Income</b>	<b>4.2</b>	<b>5.3</b>	<b>9.5</b>	<b>4.3</b>	<b>5.4</b>	<b>9.7</b>	<b>-0.0</b>	<b>-0.2</b>	<b>-0.2</b>

## Factors for increase/decrease in operating income (FY15/3-FY16/3)

(Billions of Yen)

		Q2 (Cumulative)		Q3&Q4 (Cumulative)		Full Year	
		Result	Compared to Previous Forecast	Forecast	Compared to Previous Forecast	Forecast	Compared to Previous Forecast
Processed Foods	<b>FY15/3 Operating Income</b>	2.1	—	3.3	—	5.4	—
	Effect of change in recording standards for sales	0.0	0.0	0.2	0.0	0.2	0.0
	<b>Factors for increase</b>	4.6	0.8	3.2	0.1	7.8	0.9
	Costs absorbed through price revisions and improved product mix	2.7	0.0	1.8	0.0	4.5	0.0
	Strengthening of the domestic production structure	0.5	0.0	0.7	0.0	1.2	0.0
	Increased revenue	0.4	0.0	0.5	0.0	0.9	0.0
	Consolidation/streamlining	0.3	0.0	0.5	0.0	0.8	0.0
	Depreciation	-0.2	0.0	-0.3	0.0	-0.5	0.0
	Increased revenue	0.1	-0.1	0.1	-0.1	0.2	-0.2
	Improved productivity	0.2	0.0	0.2	0.0	0.4	0.0
	Effect of results from subsidiaries (excluding GFPT Nichirei)	0.4	0.3	0.0	-0.1	0.4	0.2
	Greater efficiency in logistics	0.2	0.2	0.1	0.1	0.3	0.3
	Other	0.5	0.4	0.3	0.2	0.8	0.6
	<b>Factors for decrease</b>	-3.3	-0.5	-3.3	-0.1	-6.6	-0.6
	Higher ingredient and purchasing costs due to weak yen	-2.1	0.0	-2.8	0.0	-4.9	0.0
	Rise in ingredient and purchasing costs	-0.3	0.0	-0.3	0.0	-0.6	0.0
Financial impact from business results of GFPT Nichirei	-0.9	-0.5	-0.2	-0.1	-1.1	-0.6	
<b>FY16/3 Operating Income Forecast</b>	3.4	0.3	3.4	0.0	6.8	0.3	
Logistics	<b>FY15/3 Operating Income</b>	4.1	—	4.6	—	8.7	—
	<b>Factors for increase</b>	1.7	0.8	0.6	0.2	2.3	1.0
	Earnings gain from new facilities	0.4	0.0	0.1	-0.1	0.5	-0.1
	Streamlining of transport business	0.3	0.1	0.0	-0.1	0.3	0.0
	Operational improvements	0.5	0.1	0.2	-0.1	0.7	0.0
	Effect of changes in electricity rates	0.1	0.3	0.1	0.4	0.2	0.7
	Effect of results from inventory increases in major metropolitan areas	0.3	0.3	0.1	0.1	0.4	0.4
	Financial impact from European business results	0.1	0.0	0.1	0.0	0.2	0.0
	<b>Factors for decrease</b>	-0.5	0.2	-0.5	-0.3	-1.0	-0.1
	Increased depreciation from new facilities	-0.4	0.1	-0.2	0.0	-0.6	0.1
	Increase in transport and delivery costs (net)	0.0	0.1	-0.1	-0.1	-0.1	0.0
Measures to counter shortage of warehouse personnel	0.0	0.0	-0.2	-0.2	-0.2	-0.2	
Foreign exchange	-0.1	0.0	0.0	0.0	-0.1	0.0	
<b>FY16/3 Operating Income Forecast</b>	5.3	1.0	4.7	-0.1	10.0	0.9	

## Consolidated Balance Sheet

(Billions of Yen)

Item	15/3	15/9	Variance	
<b>[Assets]</b>				
Current assets	138.7	<b>143.7</b>	5.0	(1)
Fixed assets	203.2	<b>201.0</b>	-2.2	
<b>Total assets</b>	<b>342.0</b>	<b>344.7</b>	2.7	
<b>[Liabilities / Owner's equity]</b>				
Current liabilities	89.7	<b>100.9</b>	11.2	(2)
Long-term liabilities	99.9	<b>88.9</b>	-10.9	(2)
<b>Total liabilities</b>	<b>189.7</b>	<b>189.9</b>	0.2	
Net assets	152.2	<b>154.7</b>	2.5	
(Owner's equity)	130.3	<b>135.2</b>	4.8	
Interest-bearing debt	107.6	<b>105.9</b>	-1.7	
(Excluding lease obligations)	87.3	<b>86.5</b>	-0.8	
<b>Item</b>	<b>14/9</b>	<b>15/9</b>	<b>Variance</b>	
Capital investments	11.4	<b>7.5</b>	-3.8	(3)
(Excluding leased assets)	10.5	<b>6.4</b>	-4.1	
Depreciation and amortization	7.4	<b>8.0</b>	0.6	
(Excluding leased assets)	5.5	<b>6.1</b>	0.6	

### Notes

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

### Main Factors

- (1) Notes and accounts receivable +3.4bn;  
Inventories +3.6bn (Sales gain and seasonal factors)
- (2) Current portion of bonds +10.0bn  
Bonds -10.0bn (Transfer from long-term to short-term)
- (3) Breakdown of main capital investments

#### Processed Foods:

Installation of fourth processing line at GFPT Nichirei

#### Logistics:

Partial rebuilding of the Funabashi Distribution Center

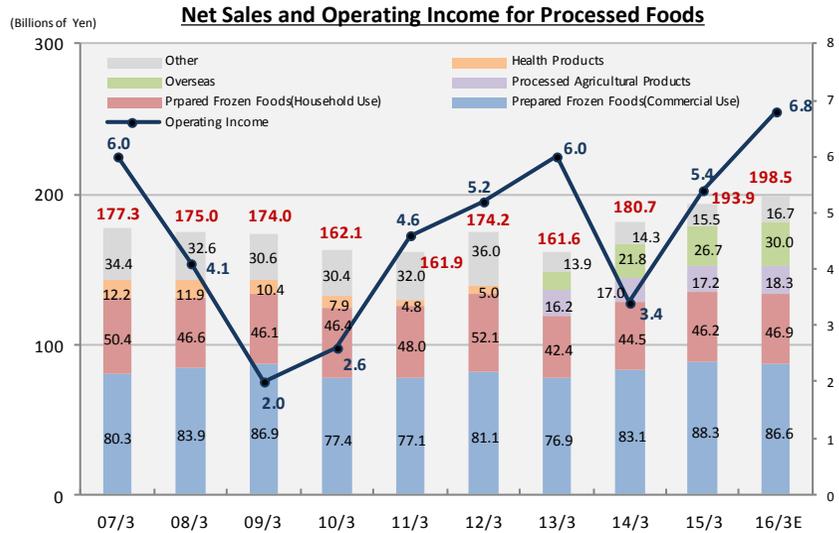
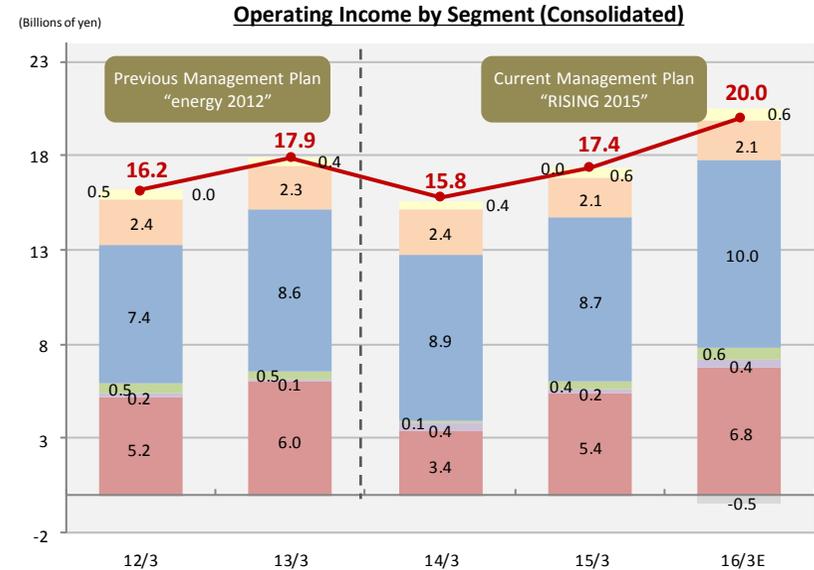
## Non-operating Income and Expenses / Extraordinary Income of Loss

(Billions of Yen)

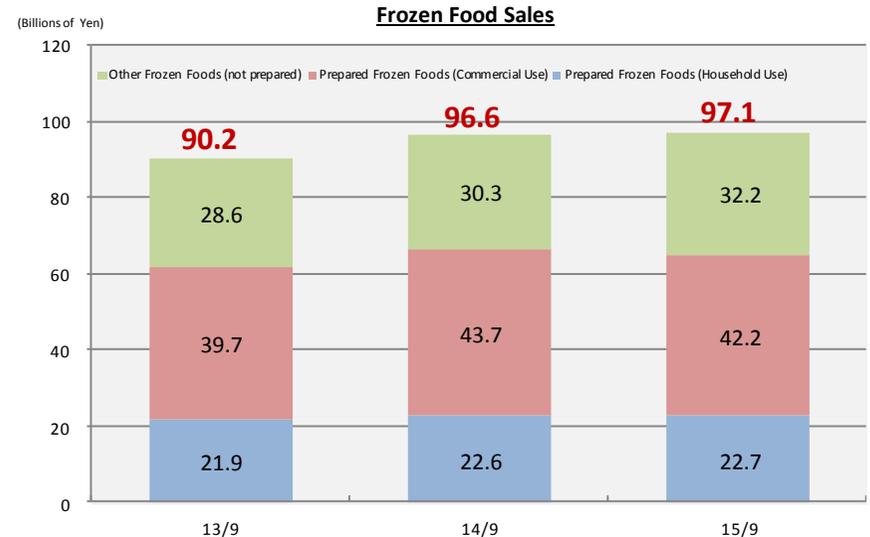
	FY15/3 Q2 (Cumulative)	FY16/3 Q2 (Cumulative)	Variance	FY15/3 Full year	FY16/3 Full year forecast	Variance
<b>Non-operating Income and Expenses</b>	-0.0	-0.0	-0.0	-0.5	-0.5	-0.0
(Main items)						
Financial account balance	-0.1	-0.1	0.0	-0.5	-0.5	-0.0
Equity in (earnings) losses of affiliates	0.0	-0.0	-0.0	0.1	-0.0	-0.2
<b>Extraordinary Income or Loss</b>	-0.5	-0.4	0.0	-1.0	-0.7	0.2
(Main items)						
Loss on sales and retirement of noncurrent assets	-0.6	-0.2	0.3	-1.0	-0.5	0.5



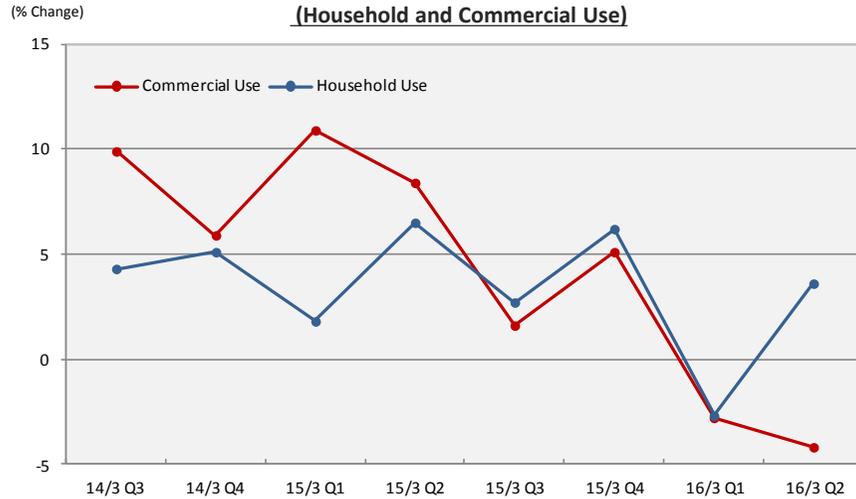
Note: Figures from FY13/3 reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)



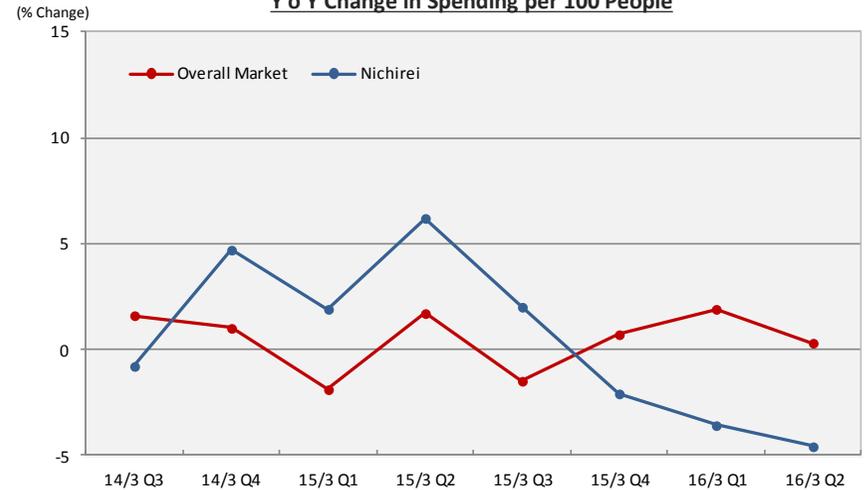
Note: Figures from FY13/3 reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)



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

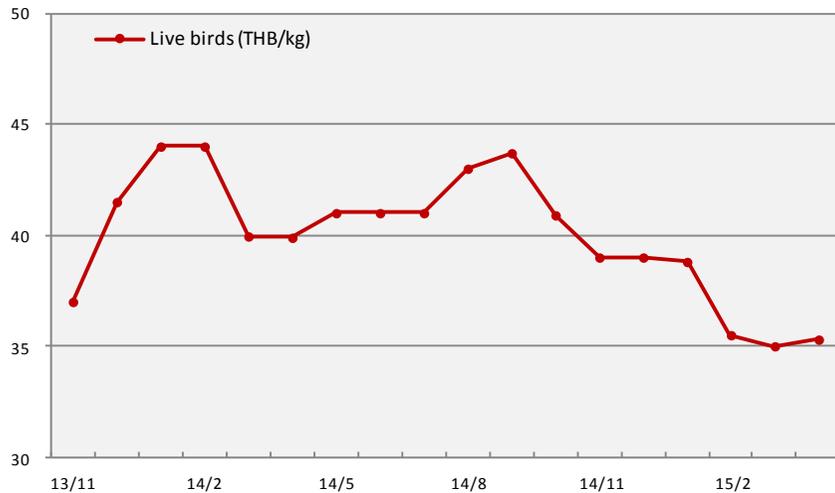


**Consumer Panel for Household-use Prepared Frozen Foods  
Y o Y Change in Spending per 100 People**



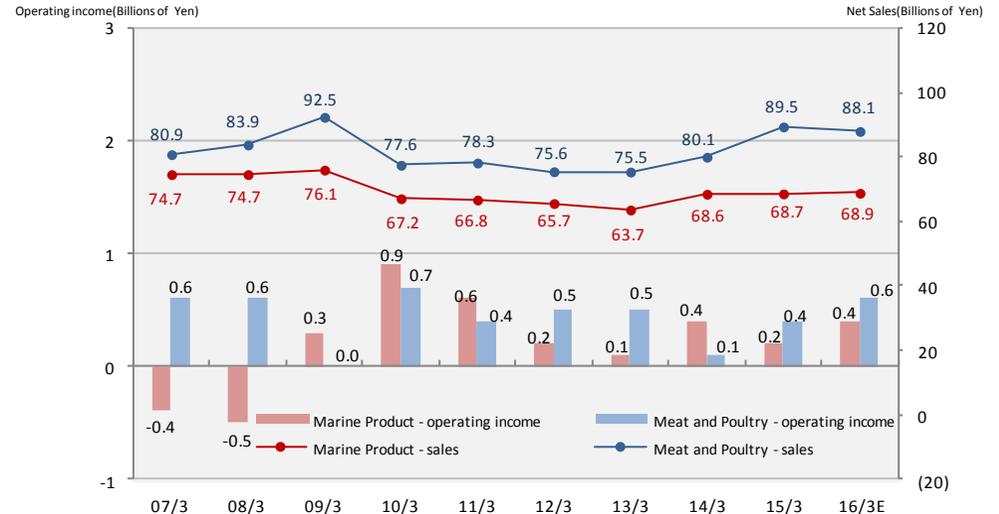
Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Excludes purchases through consumer cooperatives.)

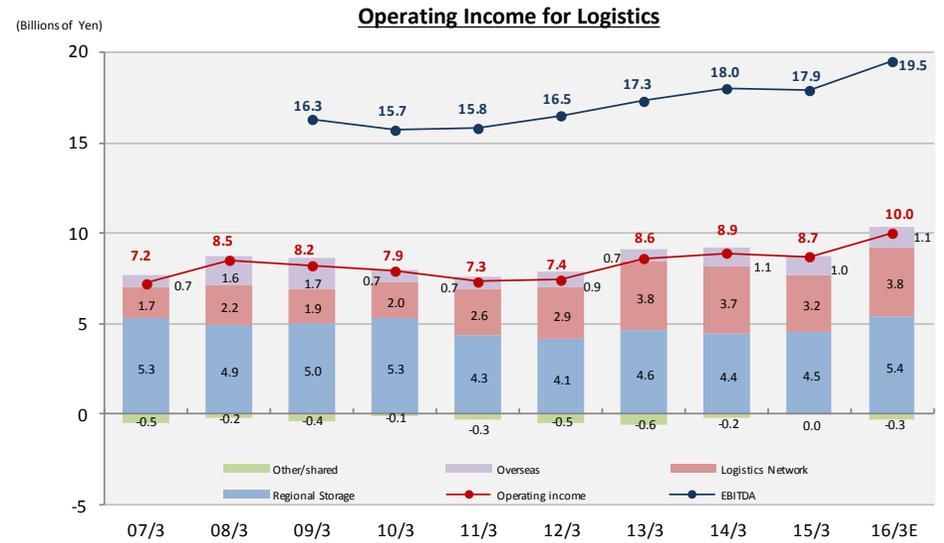
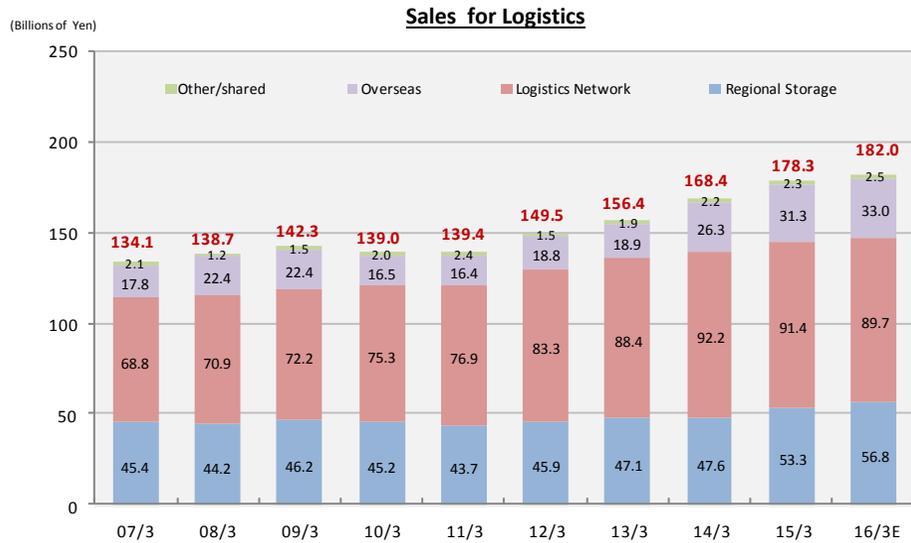
**Wholesale Price of Chicken in Thailand**



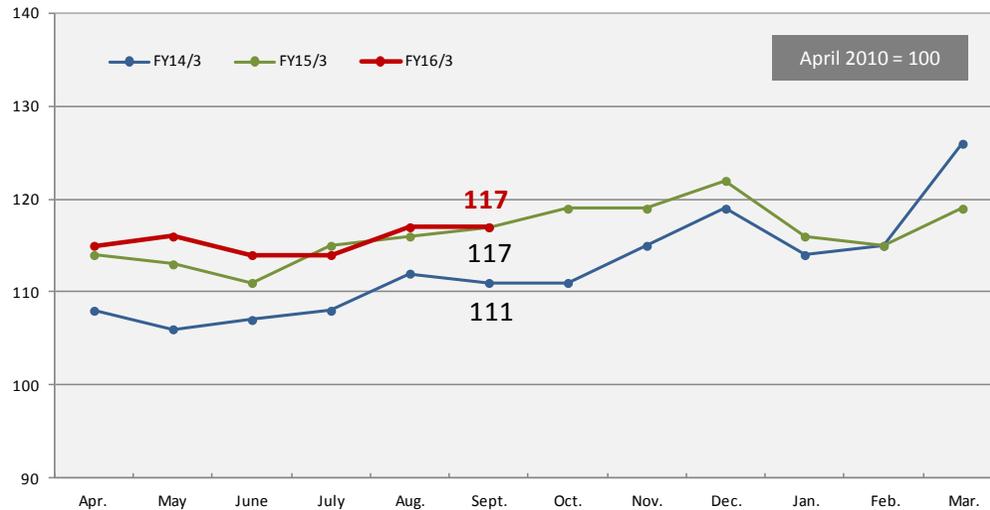
Source: Nichirei, from data published by the Agriculture & Livestock Industries Corporation (alic)

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





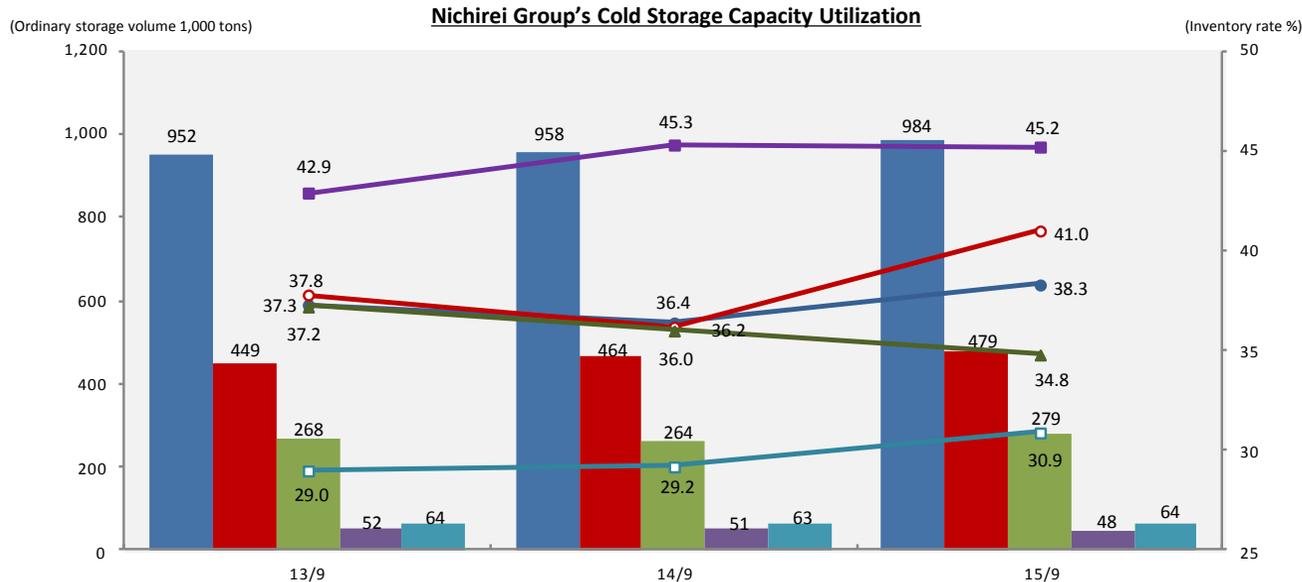
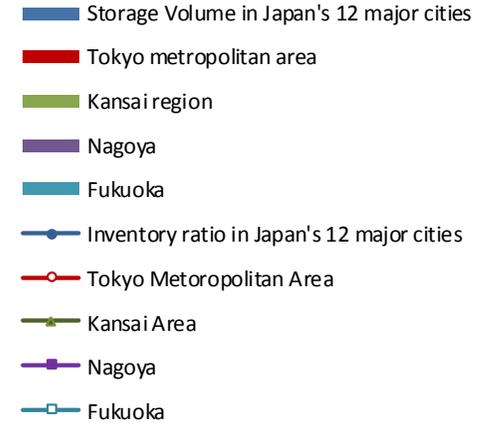
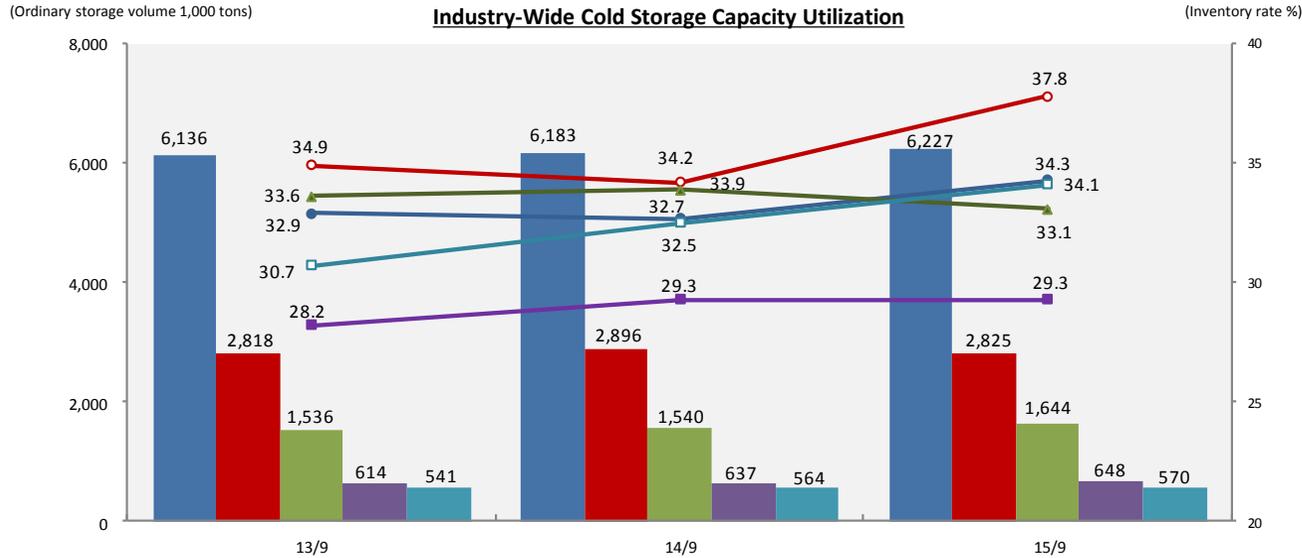
### Freight Charge Index (Monthly)



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.

## 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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