

# Earnings Results for FY17/3 Q2



(Stock code: 2871)

## Revision to Full-year Forecasts and Medium-term Business Plan

# 1. Revision to Full-year Forecasts and Medium-term Business Plan

## Full-year Forecasts Revised Upward Following Positive First Half Results

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	YoY		Progress rate for full-year forecasts announced on Aug. 2	Forecast	YoY		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>270.0</b>	4.7	2%	50%	<b>265.7</b>	-4.4	-2%	<b>535.7</b>	0.3	0%	535.7	0.0
Processed Foods	103.5	3.5	3%	51%	101.5	2.3	2%	205.0	5.8	3%	203.0	2.0
Marine Products	35.0	0.9	3%	50%	35.0	0.3	1%	70.0	1.2	2%	70.0	0.0
Meat and Poultry	43.4	-1.6	-4%	50%	40.6	-6.5	-14%	84.0	-8.0	-9%	86.0	-2.0
Logistics	93.4	1.7	2%	50%	93.6	0.4	0%	187.0	2.1	1%	187.0	0.0
Real Estate	2.3	-0.0	-0%	51%	2.2	-0.1	-6%	4.5	-0.1	-3%	4.5	0.0
Other	2.0	-0.3	-14%	41%	2.9	0.0	1%	4.9	-0.3	-6%	4.9	0.0
Adjustment	-9.5	0.6	—	—	-10.2	-0.9	—	-19.7	-0.3	—	-19.7	0.0
<b>Operating Income</b>	<b>16.1</b>	5.7	55%	74%	<b>9.9</b>	-1.3	-11%	<b>26.0</b>	4.4	20%	21.7	4.3
Processed Foods	8.9	5.4	158%	111%	3.1	-1.4	-31%	12.0	4.0	51%	8.0	4.0
Marine Products	0.6	0.5	449%	97%	0.1	-0.4	-79%	0.7	0.0	7%	0.6	0.1
Meat and Poultry	0.6	0.3	93%	105%	0.3	0.2	392%	0.9	0.5	135%	0.6	0.3
Logistics	5.0	-0.3	-6%	49%	5.3	0.6	14%	10.3	0.3	4%	10.3	0.0
Real Estate	1.0	-0.1	-8%	52%	1.0	-0.1	-10%	2.0	-0.2	-9%	2.0	0.0
Other	0.1	-0.2	-66%	20%	0.4	-0.2	-31%	0.5	-0.4	-45%	0.6	-0.1
Adjustment	-0.2	0.1	—	—	-0.2	-0.0	—	-0.4	0.1	—	-0.4	0.0
<b>Ordinary Income</b>	<b>15.9</b>	5.6	54%	75%	<b>9.6</b>	-1.5	-14%	<b>25.5</b>	4.1	19%	21.2	4.3
<b>Profit attributable to owners of parent</b>	<b>10.6</b>	4.3	67%	83%	<b>5.4</b>	-1.7	-24%	<b>16.0</b>	2.5	19%	12.8	3.2

	Exchange Rates	
	USD/JPY	EUR/JPY
FY 17/3 full year (forecast)	108.00	120.00
FY 17/3 first half (actual)	111.85	124.68
FY 16/3 first half (actual)	120.24	134.17

Note:

1. Net income represents "Profit attributable to owners of parent"
2. Exchange rate figure for FY17/3 is the average for the January-June period.

1. Net sales increased, led by continued steady growth in Processed Foods.
2. Operating income rose on sharp increases in the Processed Foods, Marine Products, and Meat and Poultry businesses.
3. Full-year forecasts for net sales and operating income of Processed Foods revised upward in line with higher than expected first half results.

## Main Points of the Revisions to the Medium-term Business Plan

(Billions of Yen)

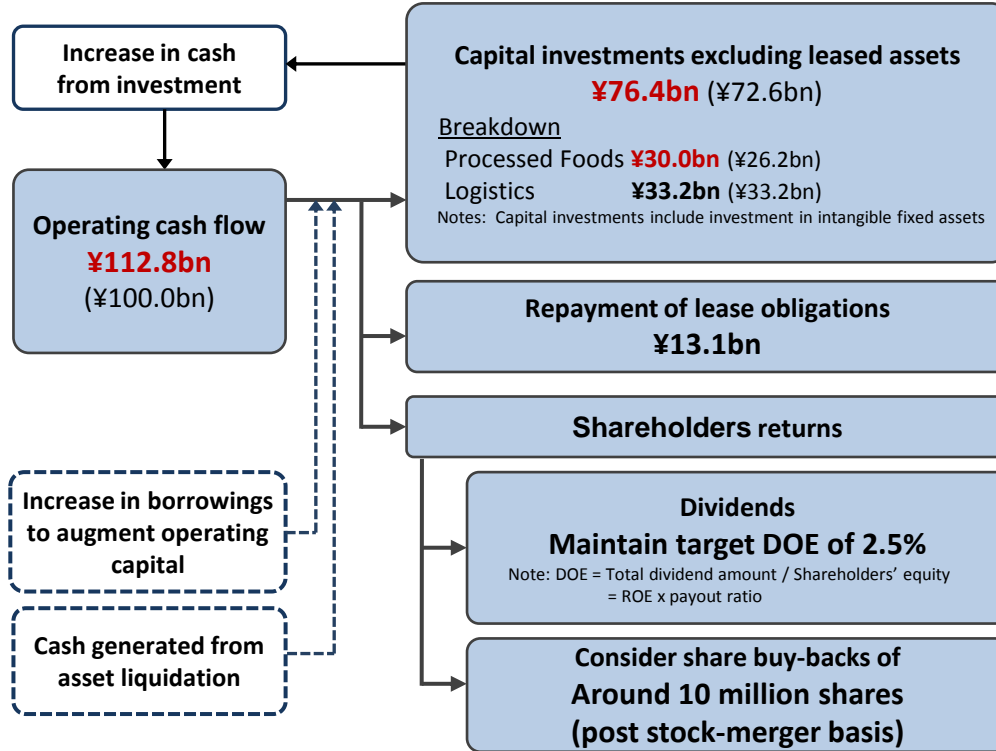
	FY19/3 Plan (Previous)	FY19/3 Plan (Revised)	Variance
<b>Net Sales</b>	<b>560.0</b>	<b>567.0</b>	<b>7.0</b>
Processed Foods	208.0	215.0	7.0
Marine Products	75.0	75.0	–
Meat and Poultry	85.0	85.0	–
Logistics	203.0	203.0	–
Real Estate	4.5	4.5	–
Other	6.1	6.1	–
Adjustment	-21.6	-21.6	–
<b>Operating Income</b>	<b>23.6</b>	<b>28.6</b>	<b>5.0</b>
Processed Foods	9.0	14.0	5.0
Marine Products	0.8	0.8	–
Meat and Poultry	0.8	0.8	–
Logistics	11.0	11.0	–
Real Estate	2.0	2.0	–
Other	0.6	0.6	–
Adjustment	-0.6	-0.6	–
<b>Ordinary Income</b>	<b>23.3</b>	<b>28.3</b>	<b>5.0</b>
<b>Profit attributable to owners of parent</b>	<b>14.7</b>	<b>18.2</b>	<b>3.5</b>

Note: Exchange rate assumptions are revised as follows.  
 17/3 E: ¥118/\$ → ¥108/\$, ¥130/€ → ¥120/€  
 18/3 P and 19/3 P : ¥118/\$ → ¥105/\$, ¥130/€ → ¥115/€

1. Background to the revision for Processed Foods  
 Revision reflects expanded sales in mainstay categories such as rice and processed chicken products, and progress with cost improvements exceeding initial assumptions. Going forward, we will expand businesses through such means as strengthening production capacity, and further increase sales and earnings.
2. Revised target figures for Processed Foods
  - i. Net sales (19/3 P)  
 ¥208.0bn → ¥215.0bn (+7.0bn)
    - Household-use: ¥48.0bn → ¥53.0bn (+5.0bn)
    - Commercial-use: ¥95.0bn → ¥97.0bn (+2.0bn)
  - ii. Operating income (19/3 P)  
 ¥9.0bn → ¥14.0bn (+5.0bn)
  - iii. Capital investment  
 (3yr cumulative, including leased assets)  
 ¥26.9bn → ¥30.7bn (+3.8bn)  
 \* Production lines to be added in domestic and overseas plants

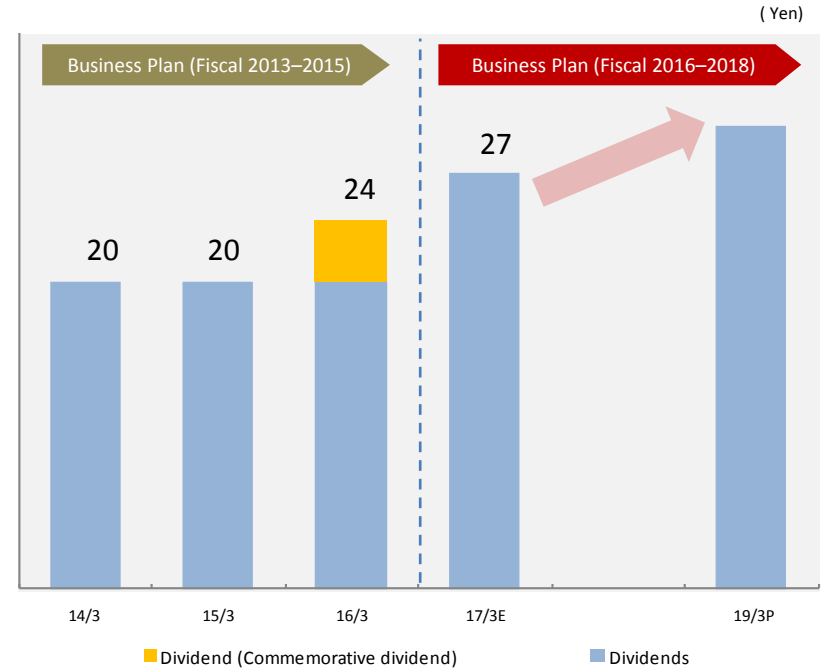
## Financial Strategy—Ongoing Measures Emphasizing Greater Capital Efficiency

Distribution of Operating Cash Flow (3-year cumulative)



Note: Figures in parenthesis are plan figures announced in May 2016.

Dividends per Share



Note: Number of shares and dividends per share are revised figures following the stock merger on October 1, 2016.

1. Target return on equity (ROE) is 8% or higher throughout the plan period, but is forecast to be greater than 10% due to improved profitability.

2. Maintain stable dividends with a target DOE (dividend on equity ratio) of 2.5%. The annual dividend forecast for FY17/3 has been increased by ¥1, to ¥27 from ¥26 per share, based on the upward revision to forecast earnings.

3. Share buy-backs of around 10 million shares planned for the plan period. Approximately 5.3 million shares were acquired through September 2016.

## Processed Foods Business

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

(Billions of Yen)

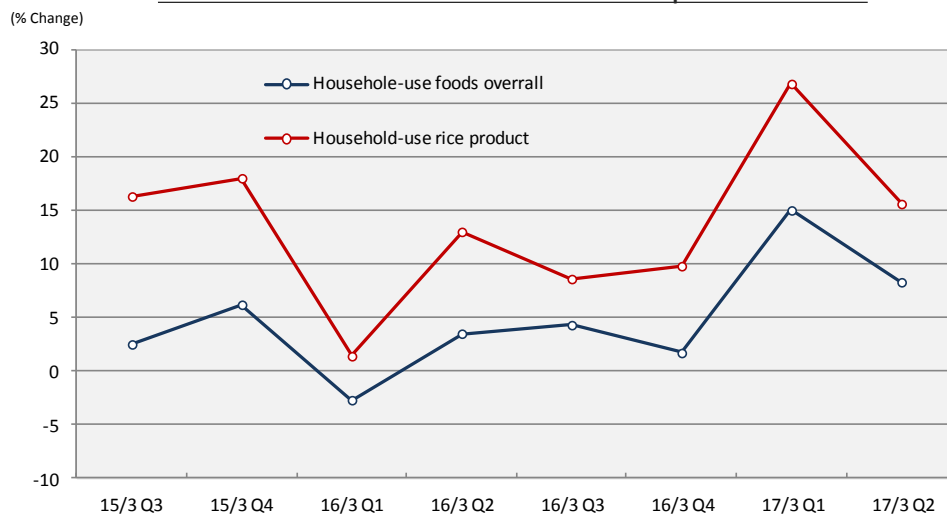
	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	YoY		Progress rate for full-year forecasts announced on Aug. 2	Forecast	YoY		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>103.5</b>	3.5	3%	51%	<b>101.5</b>	2.3	2%	<b>205.0</b>	5.8	3%	203.0	2.0
Household-use Prepared Foods	<b>25.3</b>	2.6	11%	53%	<b>25.8</b>	1.5	6%	<b>51.1</b>	4.1	9%	47.5	3.6
Commercial-use Prepared Foods	<b>43.8</b>	1.9	4%	49%	<b>46.4</b>	2.1	5%	<b>90.2</b>	4.0	5%	90.2	0.0
Processed Agricultural Products	<b>9.9</b>	-0.1	-1%	56%	<b>7.6</b>	-0.9	-11%	<b>17.5</b>	-1.0	-5%	17.5	0.0
Overseas	<b>15.3</b>	-0.1	-1%	50%	<b>14.5</b>	-0.5	-3%	<b>29.8</b>	-0.6	-2%	30.4	-0.6
Other	<b>9.3</b>	-0.8	-8%	53%	<b>7.1</b>	0.1	2%	<b>16.4</b>	-0.7	-4%	17.4	-1.0
<b>Operating Income</b>	<b>8.9</b>	5.4	158%	111%	<b>3.1</b>	-1.4	-31%	<b>12.0</b>	4.0	51%	8.0	4.0

1. Household-use Prepared Foods: Sales of rice products continued to increase, mainly frozen fried rice.  
Commercial-use Prepared Foods: Sales expanded for mainstay frozen processed chicken products, mainly to the home meal replacement (HMR) market. Operating income rose as a result of improved utilization rates and effect on increased productivity at domestic plants due to the higher sales volume, along with positive performance at overseas subsidiaries.

2. We anticipate positive sales of prepared frozen foods during 2H as well. Operating income, despite increasing advertising and promotional expenses to enhance brand recognition in 2H, is expected to reach ¥12.0 billion for the full-year period.

### Further Strengthen Mainstay Categories, while also Cultivating New Demand

YoY Sales Variance for Nichirei's Household-use Prepared Frozen Foods



Takumiokazu series aimed at seniors



Two new products launched in fall



#### 1. Household-use prepared frozen foods

- i. Sales of top selling products rose sharply on the back of consumer campaigns and TV commercials. We will continue sales promotions in 2H to strengthen mainstay categories such as rice products.
- ii. Cultivate new demand through expanded range of products for evening meals, focusing on elderly couples.

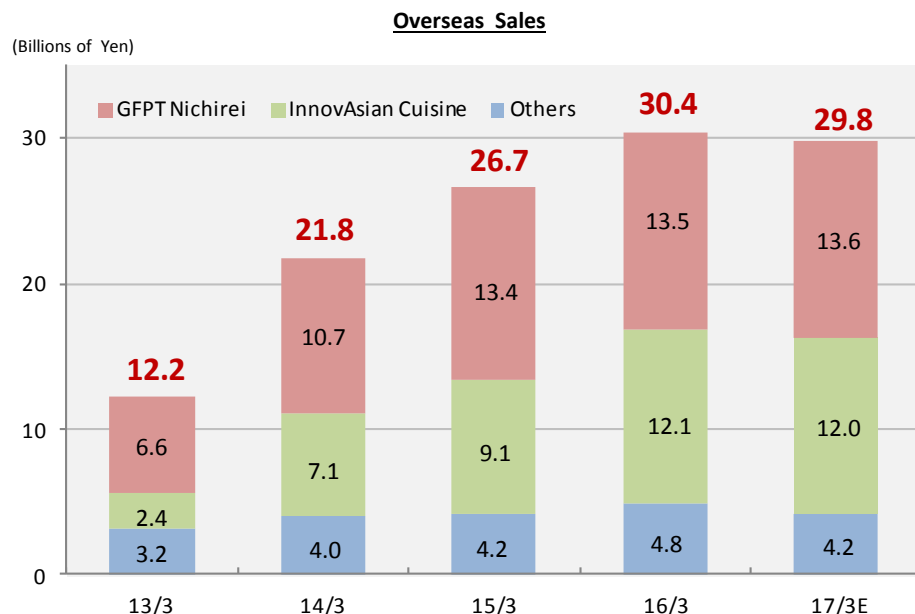
#### 2. Commercial-use prepared frozen foods

- i. Expand sales of products such as mainstay processed chicken to major users, while continuing with product measures emphasizing profitability.



## 2. Processed Foods Business (Overseas)

### GFPT Nichirei (Thailand) to Add Fifth Production Line Next Year



Notes:

1. In Processed Food sales for FY13/3, figures for InnovAsian Cuisine are for a half-year period.
2. GFPT Nichirei's sales are the total of sales to Europe and domestically within Thailand.

#### 1. InnovAsian Cuisine (U.S.)

The Asian foods market continues to expand, but more increased sales promotion activity by local major producers is making business conditions more difficult. During 2H we will implement measures to improve product turnover, and anticipate revenue gains for the full-year period on a local currency basis.

#### GFPT Nichirei's Monthly Production Capacity for Processed Chicken Products

(Tonnes)

	October 2010	July 2013	May 2015	June 2017
	First and second production lines	Addition of third production line	Addition of fourth production line	Planned addition of fifth production line
Additional production line capacity	1,400	500	500	600
Monthly Production Capacity	<b>1,400</b>	<b>1,900</b>	<b>2,400</b>	<b>3,000</b>

Note: Processed products are produced for the Japanese and European markets.

#### 2. GFPT Nichirei (Thailand)

Sales to Europe will be difficult during 2H as a result of the weakness in the euro and the pound, but we expect full-year operating income to exceed plan. A fifth production line will be added in response to growing demand for processed chicken products in Japan. The new line is planned to begin operations in June 2017.

Logistics Business

## Regional Storage Business Steady, Expected to Meet Plan Overall

(Billions of Yen)

	Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
	Result	YoY		Progress rate for full-year forecasts announced on Aug. 2	Forecast	YoY		Forecast	YoY		Compared to Previous Forecast	
		Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
<b>Net Sales</b>	<b>93.4</b>	1.7	2%	50%	<b>93.6</b>	0.4	0%	<b>187.0</b>	2.1	1%	187.0	0.0
Japan Subtotal	<b>75.7</b>	1.2	2%	50%	<b>75.8</b>	2.1	3%	<b>151.5</b>	3.3	2%	150.8	0.7
Logistics Network	<b>44.3</b>	-1.3	-3%	50%	<b>44.6</b>	-0.6	-1%	<b>88.9</b>	-1.9	-2%	87.9	1.0
Regional Storage	<b>31.5</b>	2.5	9%	50%	<b>31.1</b>	2.7	9%	<b>62.6</b>	5.2	9%	62.9	-0.3
Overseas	<b>16.3</b>	-0.1	-0%	50%	<b>14.8</b>	-2.7	-16%	<b>31.1</b>	-2.8	-8%	32.6	-1.5
Other/Intersegment	<b>1.4</b>	0.6	72%	38%	<b>3.0</b>	1.1	55%	<b>4.4</b>	1.7	60%	3.6	0.8
<b>Operating Income</b>	<b>5.0</b>	-0.3	-6%	49%	<b>5.3</b>	0.6	14%	<b>10.3</b>	0.3	4%	10.3	0.0
Japan Subtotal	<b>4.6</b>	-0.3	-6%	49%	<b>4.8</b>	0.8	21%	<b>9.4</b>	0.6	6%	9.4	0.0
Logistics Network	<b>1.3</b>	-0.7	-33%	38%	<b>1.8</b>	0.4	28%	<b>3.1</b>	-0.3	-9%	3.5	-0.4
Regional Storage	<b>3.3</b>	0.4	14%	56%	<b>3.0</b>	0.4	18%	<b>6.3</b>	0.9	16%	5.9	0.4
Overseas	<b>0.5</b>	-0.1	-11%	53%	<b>0.4</b>	-0.4	-53%	<b>0.9</b>	-0.5	-34%	1.0	-0.1
Other/Intersegment	<b>-0.2</b>	0.0	—	—	<b>0.2</b>	0.2	—	<b>0.0</b>	0.3	—	-0.1	0.1

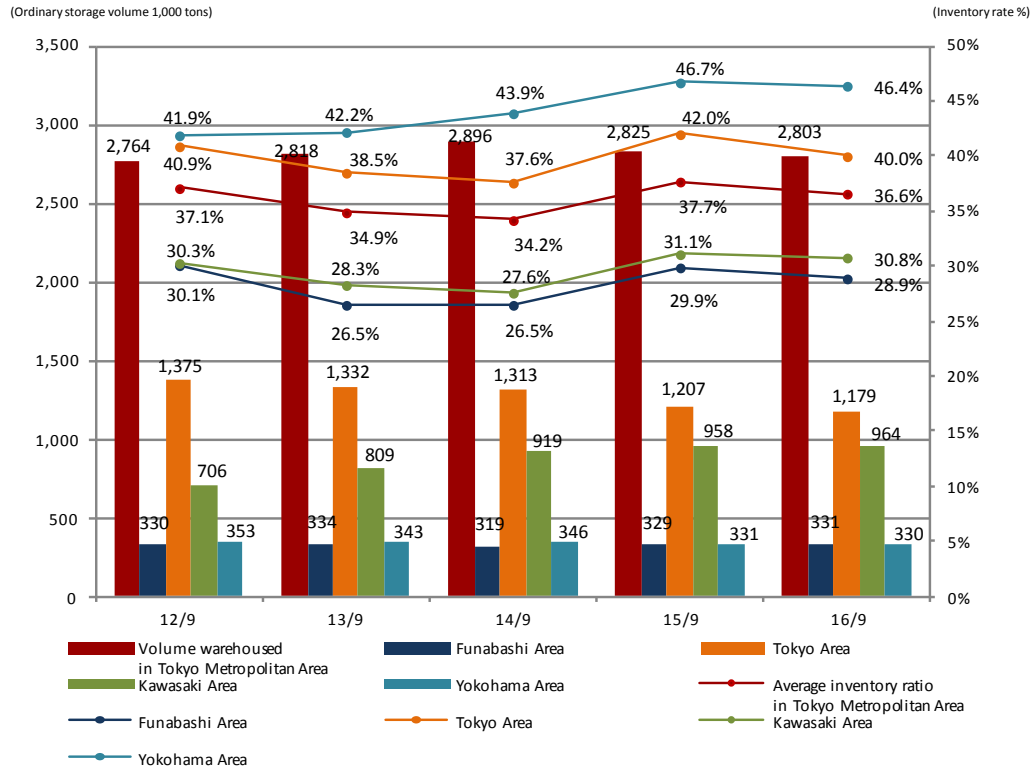
Note:

- In FY17/3, a portion of the operations in the logistics network business was transferred to the regional storage business.
- The Engineering Business is included in the "Other/Intersegment" segment.

- Japan: Inventory levels continue to be high, mainly in the Tokyo metropolitan area. First half earnings were down due to cost increases at a new transfer center (TC).
- During 2H, we will further advance operational efficiency, and concentrate on progress management for contracted construction in the engineering business.
- Overseas: Revisions to the customer makeup in Poland have allowed for steady progress in gaining storing cargoes with year-round stability. During 2H, valuation losses from foreign currency translation stemming from the weaker euro will hinder earnings.

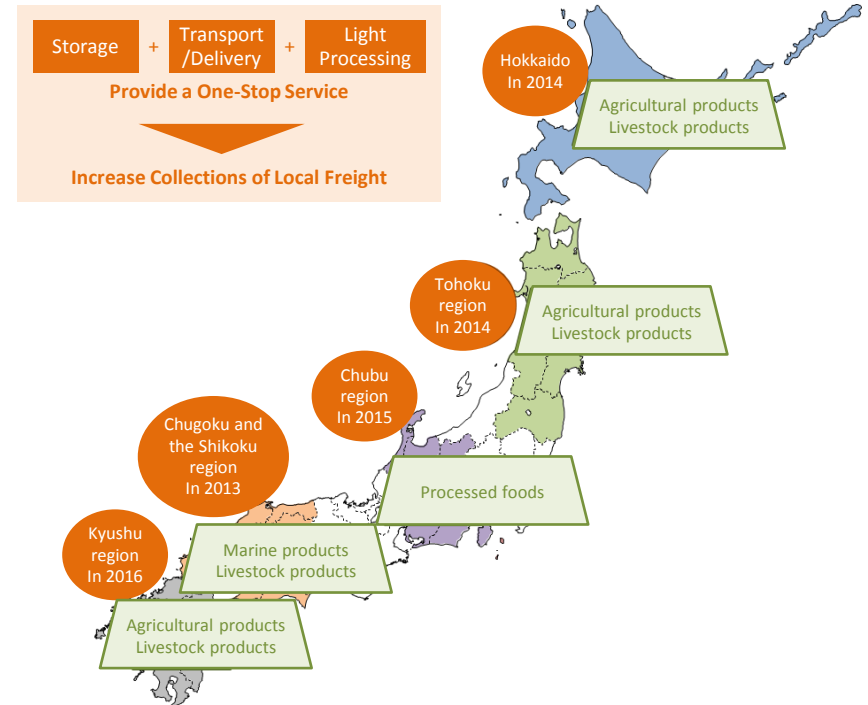
## Continued Firm Demand for Storage in the Tokyo Metropolitan Area

Industry-Wide Cold Storage Capacity Utilization in Tokyo Metropolitan Area



Source: Nichirei, data from Japan Association of Refrigerated Warehouses

Transition to a Regional Network Structure in Local Areas



1. In the Tokyo metropolitan area, during 2H we will fully utilize storage space through optimal placement of freight storage among locations.
2. In the Kyushu area, in April 2016 the storage and intra-regional transport operations of the Logistics Network

business were transferred to the Regional Storage business. We will utilize our competitive advantages of providing a comprehensive logistics service with integrated storage and transport, in order to expand cargo collections for local cargoes.

## Overview of the Engineering Business



	Service	Content
Engineering Business (Other Business segment)	Engineering Services	Optimal services to meet customer needs, from planning to design and construction regarding the building and renovation of temperature-controlled facilities.
	Maintenance Services	Services for equipment maintenance and energy efficiency.
	Diagnostic Services	Comprehensive diagnostic services for temperature-controlled facilities, optimal maintenance services and maintenance investment plans.

With companies being required to be more energy efficiency and adapt to HCFC regulations, external sales in the Engineering business are increasing with the growing demand for consultation in order to better utilize the various subsidy programs offered by the Japanese government. Nichirei is taking advantage of its accumulated expertise and advanced technical capabilities to expand this business, which can be construed as CSV (creating shared value).

## Transforming the Business Composition in Poland

Status of Nichirei's contracted store transport service to major retail customers in Poland

Ranking	Major Retailers in Poland	Market Share *Sales Basis	No. of Stores under Contract with Nichirei	Nichirei's Coverage Ratio *Limited to temperature- controlled logistics at supermarkets
1	Biedronka	34%		
2	Lidl	12%		
3	Tesco	10%	203	100%
4	Kaufland	8%	451	100%
5	Carrefour	7%		
6	Auchan	6%		
7	Intermarche	4%		
8	Polomarket	3%		
9	E.Leclerc	3%		
10	Netto	3%	275	78%
11	Piotr i Paweł	2%	138	100%
12	Stokrotka	2%		
13	Alma	2%		
14	Czerwona Torebka	0%		
	Others	4%		
	Total	100%		

Source: Nichirei, data from World Warsaw Fair.

1. In Poland, seasonal fluctuations in transaction volume are narrowing as a result of the expanded contract service area for existing customers. The acquisition of storing cargoes with year-round stability with the launch of services to new customers also helps.
2. During 2H, we will further acquire new customers and improve transport efficiency to further transform the business composition.

## Marine Products, Meat and Poultry Business

## 4. Marine Products, Meat and Poultry Business

### Improved profitability in the Marine Products and Meat and Poultry segments, achieving a stable earnings structure

(Billions of Yen)

		Q2 (Cumulative)				Q3 and Q4 (Cumulative)			Full Year				
		Result	YoY		Progress rate for full-year forecasts announced on Aug. 2	Forecast	YoY		Forecast	YoY		Compared to Previous Forecast	
			Variance	% Change			Variance	% Change		Variance	% Change	Previous forecast	Variance
Marine Products	Net Sales	35.0	0.9	3%	50%	35.0	0.3	1%	70.0	1.2	2%	70.0	0.0
	Operating Income	0.6	0.5	449%	97%	0.1	-0.4	-79%	0.7	0.0	7%	0.6	0.1
Meat and Poultry	Net Sales	43.4	-1.6	-4%	50%	40.6	-6.5	-14%	84.0	-8.0	-9%	86.0	-2.0
	Operating Income	0.6	0.3	93%	105%	0.3	0.2	392%	0.9	0.5	135%	0.6	0.3

1. Marine Products: Revenue and earnings increased on expanded sales to restaurant industry, mainly processed shrimp products. During 2H, procurement costs are rising, and there is a risk that we will be unable to fully reflect these increases in the sales price. For the full-year period, we expect to be able to secure earnings on a par with the previous fiscal year.

2. Meat and Poultry: Nichirei focused intently on sales emphasizing profitability, mainly for chicken. During 2H, we will focus on cautious stocking of material items and improving inventory turnover, while continuing to expand sales of processed foods to the steadily growing home meal replacement (HMR) channel.



## 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	17/3E	18/3P	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>535.7</b>	<b>552.5</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	210.0	215.0	
Marine Products	74.7	76.1	67.2	66.8	65.7	63.7	68.6	68.7	68.8	70.0	72.5	75.0	
Meat and Poultry	83.9	92.5	77.6	78.3	75.6	75.5	80.1	89.5	92.0	84.0	85.0	85.0	
Logistics	138.7	142.3	139.0	139.4	149.5	156.4	168.4	178.3	184.9	187.0	195.0	203.0	
Real Estate	7.5	7.4	7.0	6.6	4.9	4.7	5.0	4.7	4.6	4.5	4.5	4.5	
Other	6.3	6.6	6.9	6.2	6.0	5.8	3.7	4.4	5.2	4.9	5.6	6.1	
Adjustment	-22.6	-24.4	-21.7	-21.5	-21.0	-20.0	-19.1	-19.6	-19.4	-19.7	-20.1	-21.6	
<b>Operating Income</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>26.0</b>	<b>27.0</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	12.0	13.0	14.0	
Marine Products	-0.5	0.3	0.9	0.6	0.2	0.1	0.4	0.2	0.7	0.7	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	0.9	0.6	0.8	
Logistics	8.5	8.2	7.9	7.3	7.4	8.6	8.9	8.7	10.0	10.3	10.6	11.0	
Real Estate	4.3	4.0	3.7	3.6	2.4	2.3	2.4	2.1	2.2	2.0	2.0	2.0	
Other	0.2	0.2	0.4	0.4	0.5	0.4	0.4	0.6	0.9	0.5	0.7	0.6	
Adjustment	0.1	0.4	0.7	-0.2	0.0	0.0	0.1	0.0	-0.5	-0.4	-0.6	-0.6	
<b>Ordinary Income</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>25.5</b>	<b>26.3</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>16.0</b>	<b>16.8</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	23.2	28.7	38.6
	excluding leased assets	7.8	12.8	18.0	18.1	9.4	10.7	21.2	19.8	13.2	19.2	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			
	excluding leased debt	66.1	87.9	60.9	72.5	74.8	75.4	85.7	87.3	75.5			
<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			
	excluding leased debt	0.6	0.8	0.5	0.6	0.6	0.6	0.6	0.6	0.5			
<b>Capital adequacy ratio (%)</b>		44.3	38.6	43.1	40.4	40.2	41.3	41.9	43.0	44.4			
<b>ROE (%)</b>		8.5	5.3	7.9	3.4	6.8	8.2	6.9	6.8	9.1	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.)

## Factors for increase/decrease in operating income (FY16/3-FY17/3)

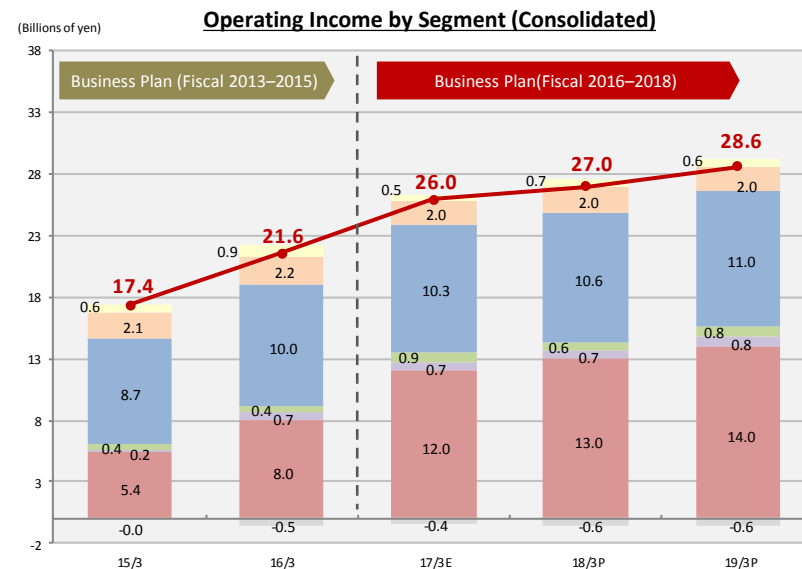
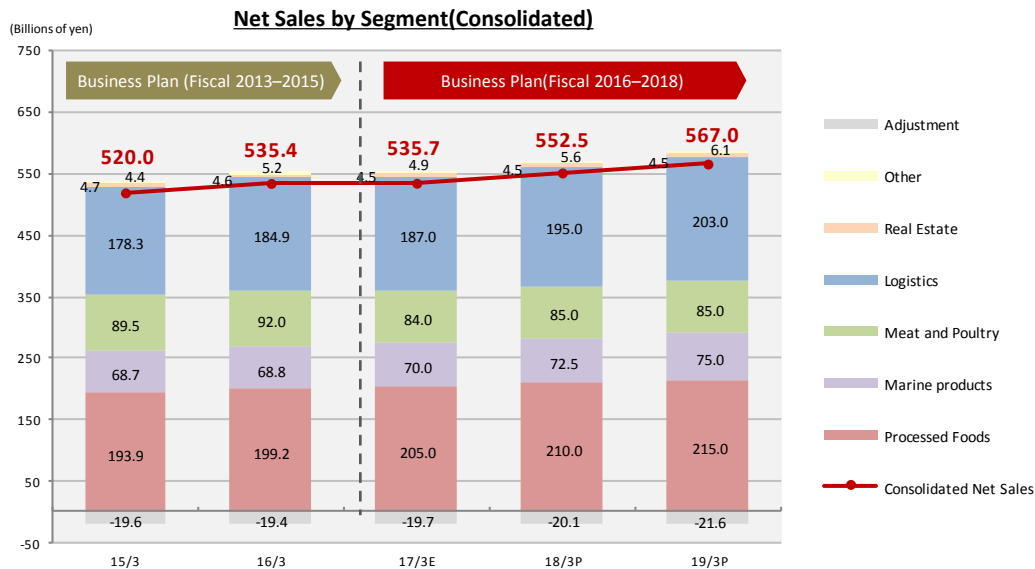
(Billions of Yen)

		Q2 (Cumulative)	Q3&Q4 (Cumulative)	Full Year	
		Result	Forecast	Forecast	Compared to Previous Forecast
Processed Foods	<b>FY16/3 Operating Income</b>	3.4	4.6	8.0	—
	<b>Factors for increase</b>	5.7	0.9	6.6	6.6
	Increased revenue	1.2	1.0	2.2	1.6
	Improved productivity	1.3	0.8	2.1	1.6
	Effect of results from subsidiaries	1.6	-0.5	1.1	1.5
	Decrease in ingredient and products purchasing costs	0.9	0.1	1.0	1.3
	Other	0.7	-0.5	0.2	0.6
	<b>Factors for decrease</b>	-0.2	-2.4	-2.6	-2.6
	Increase in advertising and sale promotion expenses	-0.2	-2.4	-2.6	2.6
	<b>FY17/3 Operating Income Forecast</b>	8.9	3.1	12.0	4.0
Logistics	<b>FY16/3 Operating Income</b>	5.3	4.7	10.0	—
	<b>Factors for increase</b>	0.6	1.1	1.7	0.5
	Operational improvements	0.1	0.4	0.5	0.0
	Streamlining of transport business	0.1	0.2	0.3	-0.1
	Effect of results from inventory increases in major metropolitan areas	0.3	0.2	0.5	0.1
	Effect of changes in electricity rates	0.1	0.1	0.2	0.3
	Increased earnings in the Engineering business	0.0	0.2	0.2	0.2
	<b>Factors for decrease</b>	-0.9	-0.5	-1.4	-0.5
	Financial impact from European business results	-0.1	-0.2	-0.3	0.0
	Increased depreciation from new facilities	-0.2	-0.0	-0.2	0.0
	Increase in transport and delivery costs (net)	-0.3	-0.1	-0.4	-0.2
	Increase in work outsourcing costs (net)	-0.1	-0.0	-0.1	0.0
	Foreign exchange	-0.0	-0.2	-0.2	-0.1
Cost increase from establishment of new transfer center (TC)	-0.2	-0.0	-0.2	-0.2	
<b>FY17/3 Operating Income Forecast</b>	5.0	5.3	10.3	0.0	

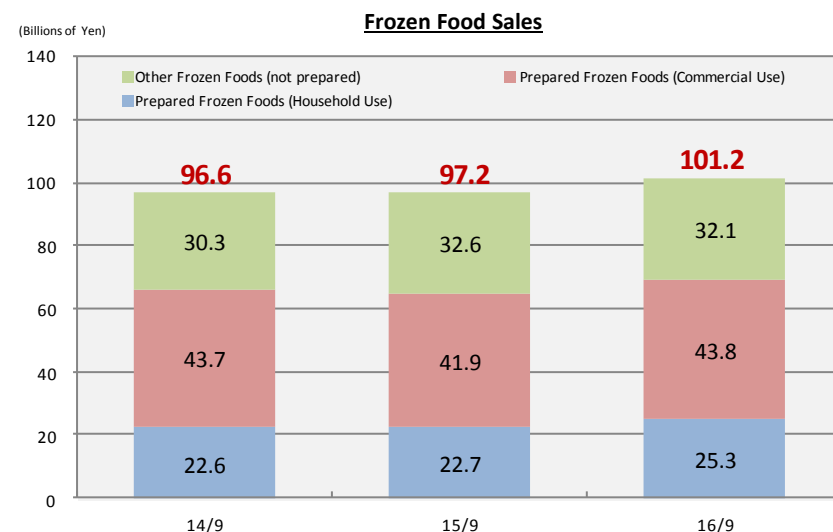
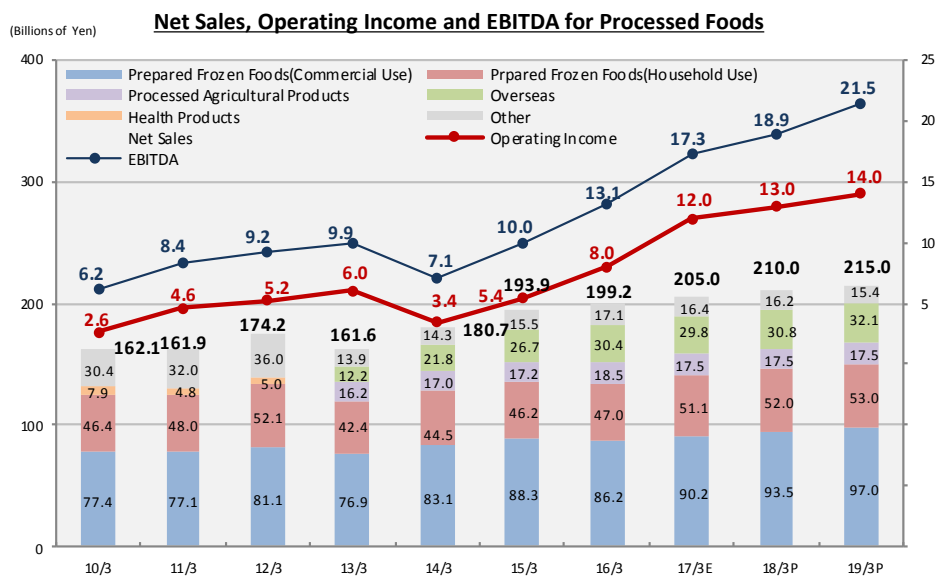
## Non-operating Income and Expenses / Extraordinary Income of Loss

(Billions of Yen)

	FY15/9 Q2 (Cumulative)	FY16/9 Q2 (Cumulative)	Variance	FY16/3 Full year	FY17/3 Full year forecast	Variance
<b>Non-operating Income and Expenses</b>	-0.0	-0.1	-0.0	-0.1	-0.5	-0.3
(Main items)						
Financial account balance	-0.1	-0.0	0.0	-0.3	-0.5	-0.1
Equity in (earnings) losses of affiliates	-0.0	0.1	0.1	0.1	0.1	-0.0
<b>Extraordinary Income or Loss</b>	-0.4	0.1	0.6	-0.7	-1.0	-0.2
(Main items)						
Gain on sales of non-current assets	0.0	0.3	0.3	0.0	0.3	0.3
Gain on sales of investment securities	–	–	–	0.1	–	-0.1
Loss on sales and retirement of non-current assets	-0.2	-0.1	0.0	-0.6	-1.0	-0.3
Loss on closing of offices	-0.2	–	0.2	-0.2	–	0.2



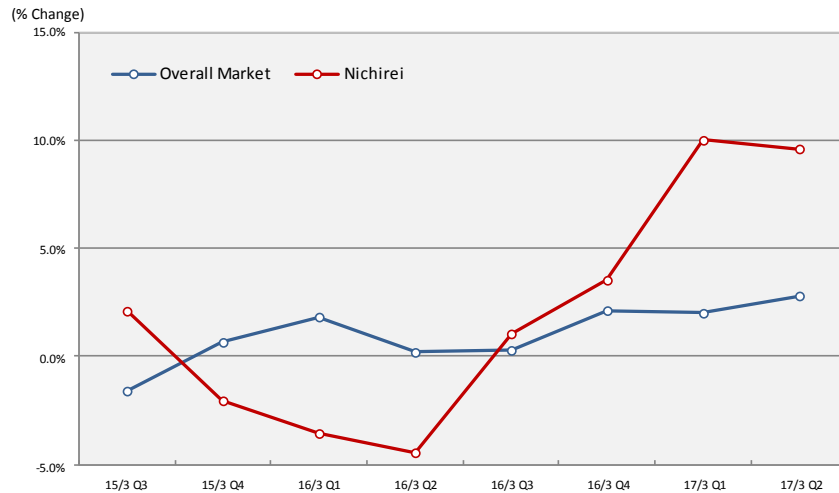
Note: Figures reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)



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

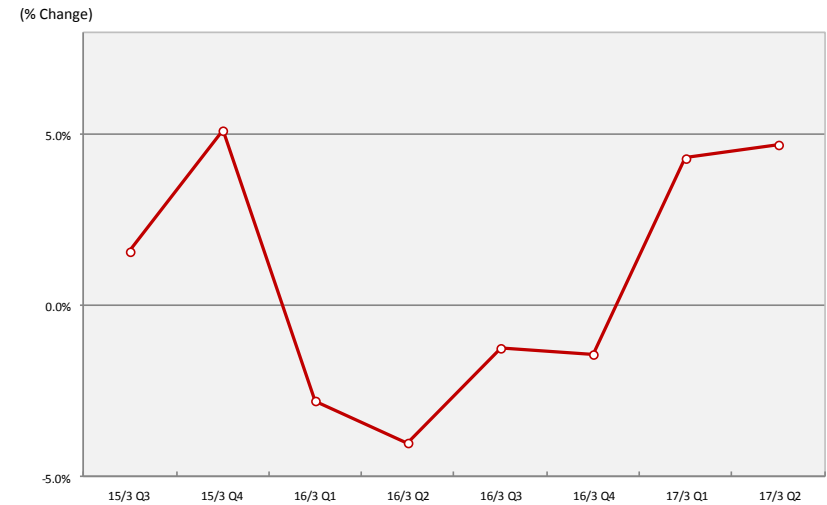
Note: Figures from FY13/3 reflect a change in the basis for recording sales in the Processed Foods business. (The portion that had previously been recorded as promotional expenses has been excluded from net sales.)

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

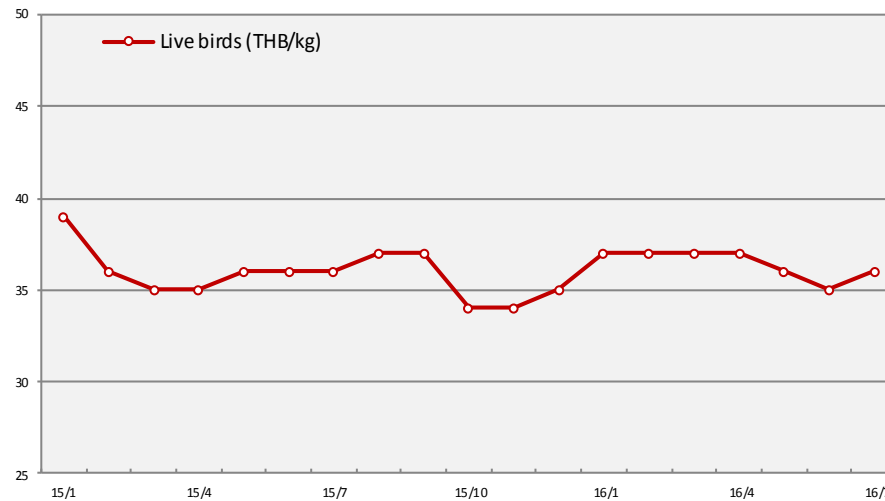


Source: INTAGE Inc. SCI consumer panel (Spending per 100 people on prepared frozen foods. Excludes purchases through consumer cooperatives.)

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

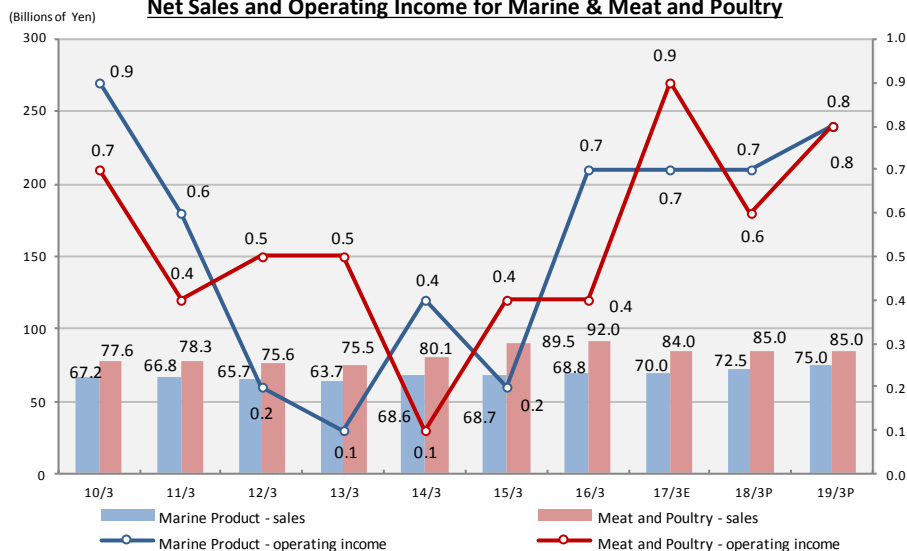


**Wholesale Price of Chicken in Thailand**

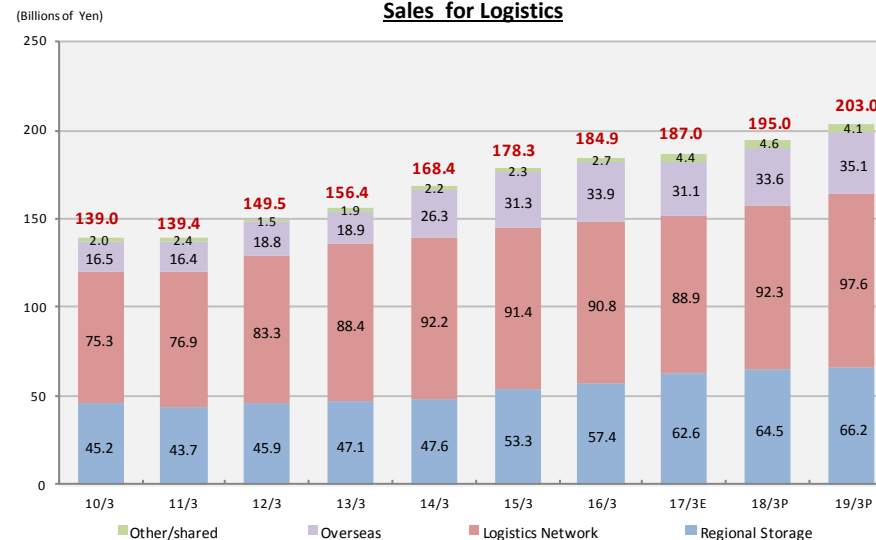


Source: Nichirei, from data published by the Agriculture & Livestock Industries Corporation (alic)

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

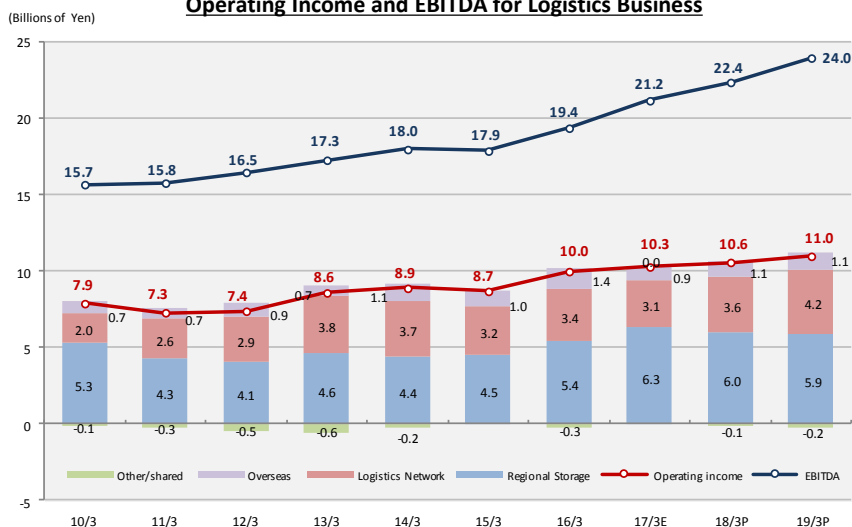


### Sales for Logistics



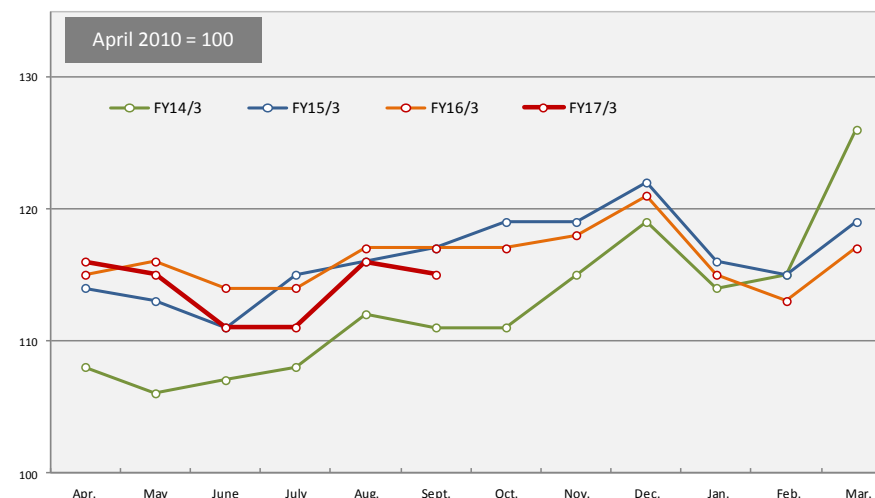
Note: For the fiscal periods from 14/3 to 17/3E, a portion of the logistics network business was transferred to the regional storage business.

### Operating Income and EBITDA for Logistics Business



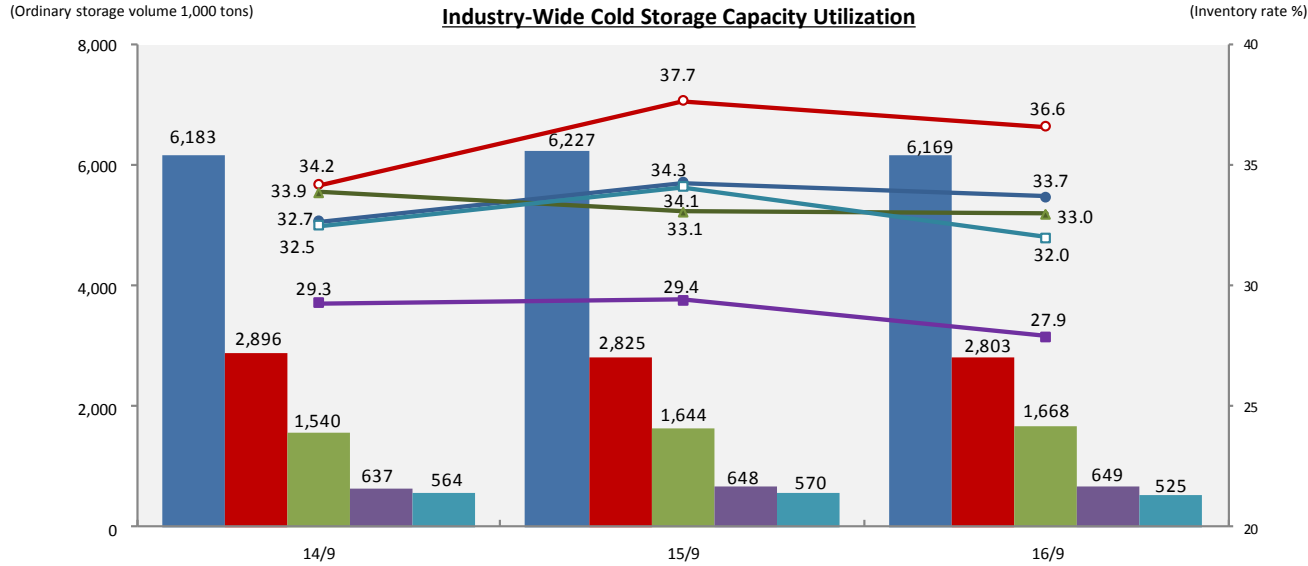
Note: For the fiscal periods from 14/3 to 17/3E, a portion of the logistics network business was transferred to the regional storage business.

### Freight Charge Index (Monthly)

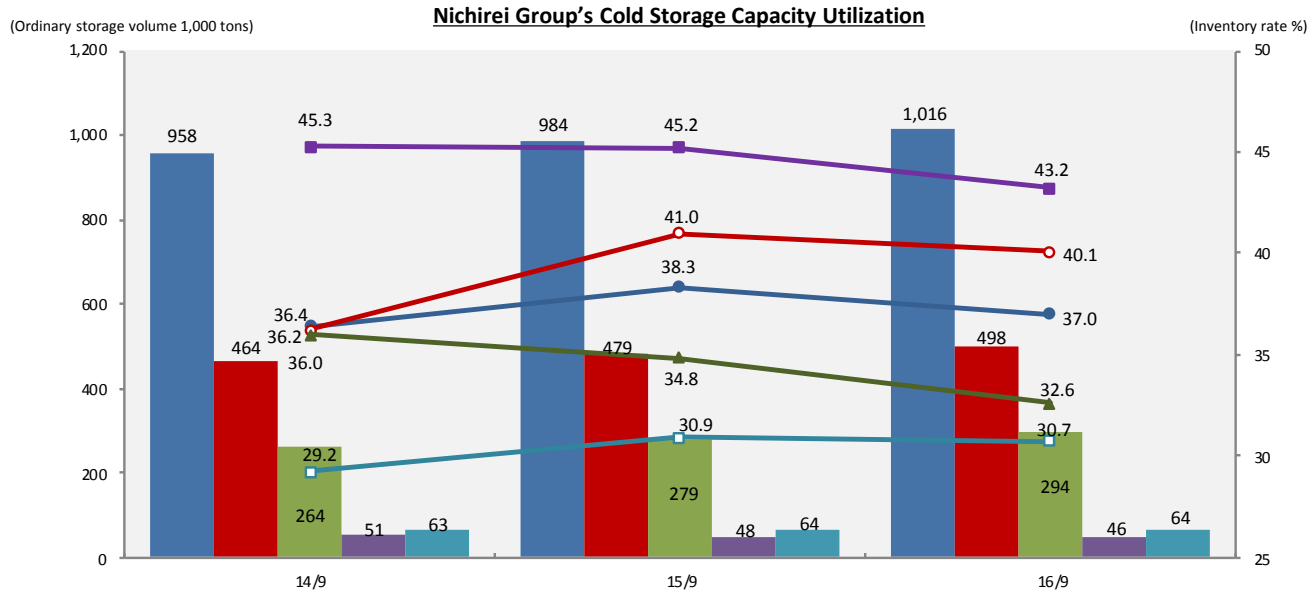


Source: Nichirei, from data published by the Japan Trucking Association  
 Note: This index is for freight charges recorded on an ICT system of the Japan Trucking Association, and therefore does not represent changes in freight charges at Nichirei's Logistics Business.

## [Cold Storage Capacity Utilization]



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



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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