

Consolidated Financial Statements – Summary

November 6, 2018

(For the six months ended September 30, 2018)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Company name: **NICHIREI CORPORATION** (Code number 2871)

1. Results for the Six Months Ended September 30, 2018 (April 1, 2018 through September 30, 2018)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Six months ended September 30, 2018	289,017	13,792	14,040	9,421
Six months ended September 30, 2017	282,799	16,254	16,434	10,179

(Note) Comprehensive income: Six months ended September 30, 2018: 10,504 million yen (-24.5%)
Six months ended September 30, 2017: 13,910 million yen (107.1%)

	E.P.S.	Diluted E.P.S.
	Yen	Yen
Six months ended September 30, 2018	70.70	-
Six months ended September 30, 2017	75.33	-

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2018	377,130	178,112	45.4	1,286.05
As of March 31, 2018	367,268	169,680	44.3	1,221.04

(Note) Shareholders' equity: As of September 30, 2018: 171,390 million yen
As of March 31, 2018: 162,729 million yen

2. Dividend Status

(Base date)	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2018	-	15.00	-	15.00	30.00
FY ending March 31, 2019	-	16.00	-	-	-
FY ending March 31, 2019 (Forecast)	-	-	-	16.00	32.00

(Note) Revisions to dividend forecasts published most recently (Y/N): No

3. Estimation of Business Results of Fiscal Year Ending March 31, 2019 (April 1, 2018 through March 31, 2019)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	E.P.S.
	Million yen	Million yen	Million yen	Million yen	Yen
FY ending March 31, 2019	586,000	31,000	31,000	19,800	148.57

(Note) Revisions to financial estimation published most recently (Y/N): No

*** Notes**

(1) Any changes in important subsidiaries during the term (Change in specific subsidiaries as a result of a change in the scope of consolidation): No

New inclusion: — companies (company name)

Elimination: — companies (company name)

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: Yes
(Calculation of tax cost)

With respect to tax cost, an effective tax rate was reasonably estimated after applying tax effect accounting to net income before taxes for the fiscal year including the six-month period ended September 30, 2018, and tax cost was calculated by multiplying quarterly net income before taxes by the effective tax rate.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies associated with the revision of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Total number of outstanding shares (Common stock)

(i) Total number of outstanding shares at term end (Includes treasury stock):

As of September 30, 2018: 139,925,532 shares

As of March 31, 2018: 139,925,532 shares

(ii) Total treasury stock at term end:

As of September 30, 2018: 6,656,128 shares

As of March 31, 2018: 6,655,050 shares

(iii) Average number of outstanding shares during the period:

For the six months ended September 30, 2018: 133,269,984 shares

For the six months ended September 30, 2017: 135,129,708 shares

* Quarterly financial summaries are not subject to quarterly review by any certified public accountant or auditing firm.

* Note to proper use of forecast of operating results and other special remarks

This statement was prepared based on information available at the time of disclosure. The Company makes no guarantee that the forecasts will be achieved. Actual results may vary significantly as a result of a variety of factors. Please refer to the "Cautionary Statements" on page 9.

Consolidated Balance Sheets

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	FY 2018 (As of March 31, 2018)	As of September 30, 2018
<Assets>		
Current assets		
Cash and deposits	18,299	18,008
Notes and accounts receivable – trade	85,103	92,946
Merchandise and finished goods	37,132	37,557
Work in process	835	984
Raw materials and supplies	7,290	7,557
Other current assets	4,989	6,524
Allowance for doubtful accounts	(86)	(88)
Total	153,564	163,490
Non-current assets		
Property, plant and equipment		
Buildings and structures	237,546	237,602
Accumulated depreciation	(167,080)	(168,582)
Buildings and structures, net	70,465	69,020
Machinery, equipment and vehicles	97,465	98,160
Accumulated depreciation	(71,955)	(73,331)
Machinery, equipment and vehicles, net	25,510	24,828
Land	35,643	35,607
Leased assets	37,475	37,514
Accumulated depreciation	(20,682)	(21,429)
Leased assets, net	16,792	16,084
Construction in progress	2,261	3,589
Other	9,960	10,165
Accumulated depreciation	(7,840)	(8,017)
Other, net	2,119	2,147
Total	152,792	151,278
Intangible assets		
Goodwill	2,307	2,139
Other	5,755	5,715
Total	8,062	7,854
Investments and other assets		
Investment securities	41,225	42,605
Net defined benefit asset	45	51
Deferred tax assets	2,099	1,778
Other	9,850	10,410
Allowance for doubtful accounts	(372)	(338)
Total	52,848	54,507
Total non-current assets	213,703	213,640
Total assets	367,268	377,130

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	FY 2018 (As of March 31, 2018)	As of September 30, 2018
<Liabilities>		
Current liabilities		
Accounts payable – trade	27,944	28,794
Electronically recorded obligations – operating	2,417	2,330
Short-term loans payable	6,237	7,266
Commercial papers	3,000	3,000
Current portion of bonds payable	10,000	–
Current portion of long-term loans payable	4,016	4,700
Lease obligations	3,579	3,476
Accrued expenses	32,782	30,079
Income taxes payable	4,552	4,259
Provision for directors' bonuses	290	125
Other	15,670	17,840
Total	110,489	101,872
Non-current liabilities		
Bonds payable	30,000	40,000
Long-term loans payable	26,591	26,632
Lease obligations	14,321	13,669
Deferred tax liabilities	5,469	6,417
Provision for directors' retirement benefits	151	144
Net defined benefit liability	1,888	1,891
Asset retirement obligations	3,448	3,446
Long-term guarantee deposited	3,072	3,079
Other	2,154	1,864
Total	87,098	97,145
Total liabilities	197,587	199,018
<Net assets>		
Shareholders' equity		
Capital stock	30,307	30,307
Capital surplus	7,617	7,617
Retained earnings	126,510	133,885
Treasury shares	(17,432)	(17,435)
Total	147,002	154,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,451	16,348
Deferred gains or losses on hedges	(739)	1,208
Foreign currency translation adjustment	1,014	(540)
Total	15,726	17,016
Non-controlling interests	6,951	6,721
Total net assets	169,680	178,112
Total liabilities and net assets	367,268	377,130

Consolidated Statements of Income

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Six months ended September 30, 2017 (April 2017–Sep. 2017)	Six months ended September 30, 2018 (Apr. 2018–Sep. 2018)
Net sales	282,799	289,017
Cost of sales	235,058	243,282
Gross profit	47,740	45,735
Selling, general and administrative expenses		
Transportation and warehousing expenses	7,968	8,413
Promotion expenses	1,089	643
Advertising expenses	2,184	2,043
Directors' compensations, employees' salaries, bonuses and allowance	8,594	8,793
Retirement benefit expenses	473	448
Legal and employee benefits expenses	1,632	1,725
Transportation and communication expenses	1,168	1,170
Rent expenses	1,016	998
Business consignment expenses	1,502	1,904
Research and development expense	929	1,142
Other	4,928	4,660
Total	31,486	31,943
Operating profit	16,254	13,792
Non-operating income		
Interest income	68	62
Dividend income	422	452
Share of profit of entities accounted for using equity method	94	245
Other	236	225
Total	822	985
Non-operating expenses		
Interest expenses	449	440
Other	192	296
Total	642	737
Ordinary profit	16,434	14,040
Extraordinary income		
Gain on sales of non-current assets	39	184
Gain on sales of investment securities	13	205
Other	4	–
Total	57	389
Extraordinary losses		
Loss on sales of non-current assets	1	5
Loss on retirement of non-current assets	576	276
Impairment loss	4	46
Loss on disaster	–	187
Other	104	16
Total	686	531
Profit before income taxes	15,805	13,898
Income taxes	4,751	4,382
Profit	11,054	9,515
Profit attributable to non-controlling interests	875	93
Profit attributable to owners of parent	10,179	9,421

Consolidated Statements of Comprehensive Income

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Six months ended September 30, 2017 (Apr. 2017–Sep. 2017)	Six months ended September 30, 2018 (Apr. 2018–Sep. 2018)
Profit	11,054	9,515
Other comprehensive income		
Valuation difference on available-for-sale securities	1,794	898
Deferred gains or losses on hedges	606	1,898
Foreign currency translation adjustment	473	(1,762)
Share of other comprehensive income of entities, accounted for using equity method	(19)	(45)
Total	2,855	988
Comprehensive income	13,910	10,504
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,989	10,709
Comprehensive income attributable to non-controlling interests	920	(205)

Consolidated Statements of Cash Flows

NICHIREI CORPORATION

(Million yen; amounts less than one million yen are omitted)

	Six months ended September 30, 2017 (Apr. 2017–Sep. 2017)	Six months ended September 30, 2018 (Apr. 2018–Sep. 2018)
Cash flows from operating activities		
Income before income taxes	15,805	13,898
Depreciation	7,824	8,516
Impairment loss	4	46
Increase (decrease) in allowance for doubtful accounts	2	(7)
Interest and dividend income	(491)	(514)
Interest expenses	449	440
Share of (profit) loss of entities accounted for using equity method	(94)	(245)
Loss (gain) on sales of non-current assets	(37)	(179)
Loss on retirement of non-current assets	576	276
Loss (gain) on sales of investment securities	(13)	(205)
Decrease (increase) in notes and accounts receivable – trade	(13,476)	(8,459)
Decrease (increase) in inventories	(3,653)	(1,135)
Increase (decrease) in notes and accounts payable – trade	4,005	894
Other	(368)	419
Subtotal	10,533	13,746
Interest and dividend income received	557	605
Interest expenses paid	(450)	(437)
Income taxes paid	(4,975)	(4,653)
Net cash provided by (used in) operating activities	5,664	9,262
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,166)	(10,913)
Proceeds from sales of property, plant and equipment	116	647
Purchase of intangible assets	(675)	(1,278)
Purchase of investment securities	(27)	(404)
Proceeds from sales of investment securities	29	564
Other	(1,986)	4,712
Net cash provided by (used in) investing activities	(8,710)	(6,671)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	14,704	1,249
Net increase (decrease) in commercial papers	10,000	–
Proceeds from long-term loans payable	–	1,253
Repayments of long-term loans payable	(7,323)	(516)
Proceeds from issuance of bonds	–	9,948
Redemption of bonds	–	(10,000)
Repayments of lease obligations	(1,843)	(1,832)
Purchase of treasury shares	(14,004)	(3)
Cash dividends paid	(2,197)	(1,995)
Dividends paid to non-controlling interests	(29)	(18)
Proceeds from share issuance to non-controlling shareholders	–	91
Other	0	–
Net cash provided by (used in) financing activities	(692)	(1,822)
Effect of exchange rate change on cash and cash equivalents	176	(688)
Net increase (decrease) in cash and cash equivalents	(3,562)	79
Cash and cash equivalents at beginning of period	20,512	17,076
Cash and cash equivalents at end of period	16,950	17,155

Industrial Segment Information

NICHIREI CORPORATION

(1) Six Months Ended September 30, 2017 (April 1, 2017 through September 30, 2017)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	113,616	35,742	42,824	87,043	1,676	1,897	282,799	–	282,799
Intra-group sales and transfers	245	19	1,036	7,703	712	366	10,082	(10,082)	–
Total	113,862	35,761	43,860	94,746	2,388	2,263	292,882	(10,082)	282,799
Operating profit	8,530	225	679	5,709	1,075	356	16,575	(321)	16,254

(2) Six Months Ended September 30, 2018 (April 1, 2018 through September 30, 2018)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	114,220	35,113	43,690	92,062	1,695	2,235	289,017	–	289,017
Intra-group sales and transfers	181	38	1,041	7,882	679	364	10,189	(10,189)	–
Total	114,402	35,152	44,731	99,945	2,375	2,599	299,206	(10,189)	289,017
Operating profit	6,455	126	705	5,505	1,077	232	14,103	(311)	13,792

(3) Fiscal Year Ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Total	Adjustments	Consolidated
Net sales	220,273	71,448	88,316	180,017	3,356	4,619	568,032	–	568,032
Intra-group sales and transfers	413	62	2,076	15,076	1,512	725	19,866	(19,866)	–
Total	220,686	71,511	90,393	195,093	4,869	5,344	587,899	(19,866)	568,032
Operating profit	14,573	305	1,301	11,255	2,152	811	30,399	(501)	29,897

Forecast of Fiscal Year Ending March 31, 2019

NICHIREI CORPORATION

Forecast of Fiscal Year Ending March 31, 2019 (April 1, 2018 through March 31, 2019)

(Million yen; amounts less than one million yen are omitted)

	Processed Foods	Marine Products	Meat and Poultry Products	Logistics	Real Estate	Other	Adjustments	Consolidated
Net sales (*1)	229,000	75,000	92,000	200,000	4,800	5,700	(20,500)	586,000
Operating profit	15,000	700	1,400	11,500	2,200	800	(600)	31,000

(*1) Net sales include Intra-group sales and transfers.

Cautionary Statement with Respect to Forward-Looking Statements

This financial statement contains, in addition to historical facts, forward-looking statements regarding plans, outlook, strategies and future results. These explanations concerning future business results may or may not include words such as "believes," "expects," "plans," "strategy," "prospects," "estimates," and "forecasts," or variations of these words or similar expressions. All such statements are based on management's assumptions and beliefs derived from the information available to it at the time of publication of this report. A variety of important factors may cause actual results to differ significantly from these forecasts. Thus, it is advised that investors refrain from making investment decisions based solely on these forward-looking statements. Nichirei and its Group companies will not necessarily revise their forward-looking statements in accordance with new information, future events and other results. Risks and uncertainties that could affect the actual results of Nichirei and its Group companies include, but are not limited to:

- 1) Economic conditions and industry environment surrounding the business activities of Nichirei and its Group companies;
- 2) Foreign exchange rate fluctuations, particularly involving U.S. dollars and euros;
- 3) The feasibility of establishing a unified quality control structure covering product development, purchasing of ingredients, production and sales;
- 4) The feasibility of new product and service development;
- 5) Nichirei's and its Group companies' ability to implement growth strategies and build a low-cost structure;
- 6) The feasibility of achieving effective alliances between the Nichirei Group and outside companies;
- 7) Contingency and related risk, etc.

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.