

Notes to Consolidated Financial Statements (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2017

Note 1 Basis of Presentation

The accompanying consolidated financial statements of Nichirei Corporation (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals in yen shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at ¥112.20 = US\$1.00, the exchange rate prevailing on March 31, 2017.

Due to significance, only selected notes are disclosed in the consolidated financial statements. The other notes which are not selected are disclosed on EDINET.

Note 2 Securities

(1) Acquisition costs, carrying value and unrealized gain on available-for-sale securities as of March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Equity securities:			
Acquisition costs	¥ 13,589	¥ 13,619	\$ 121,386
Carrying value	29,111	32,641	290,919
Unrealized gain	¥ 15,522	¥ 19,021	\$ 169,532

Non-listed equity securities amounting to ¥1,250 million and ¥1,252 million (\$11,164 thousand) as of March 31, 2016 and 2017, respectively, are not included in the above table because they are not traded on the market and it is very difficult to determine their fair market value.

(2) Sales of available-for-sale securities for the years ended March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Proceeds from sales	¥ 293	¥ 2	\$ 21
Gains on sales	183	0	8

(3) Aggregate carrying value of available-for-sale securities with no available fair value as of March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Non-listed equity securities	¥ 1,210	¥ 1,222	\$ 10,894

(4) Impairment loss of securities for the years ended March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Available-for-sale securities:			
Stocks without market value	¥ 28	¥ 97	\$ 866

Note 3 Investments and Rental Properties

The Company and part of its subsidiaries own buildings and land for lease in Tokyo and other areas.

Net rent income and gain on sales of the property related to the investments and rental properties were ¥2,043 million and ¥5 million for the year ended March 31, 2016, respectively. Net rent income and gain on sales of the property related to the investments and rental properties were ¥2,182 million (\$19,449 thousand) and ¥339 million (\$3,023 thousand) for the year ended March 31, 2017, respectively.

Gross rent revenue and expense are included in net sales and cost of sales, respectively, on the consolidated statements of income. Gain on sales of the property is included in other income on the consolidated statements of income.

Carrying value on the consolidated balance sheets, increase or decrease during the year, as well as market value of the investments and rental properties as of March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Carrying value as of April 1	¥ 10,377	¥ 10,200	\$ 90,914
Net decrease	(177)	75	673
Carrying value as of March 31	¥ 10,200	¥ 10,276	\$ 91,588
Market value as of March 31	¥ 40,383	¥ 40,159	\$ 357,930

- Carrying value on the consolidated balance sheets is calculated as acquisition costs deducting accumulated depreciation and cumulative impairment losses.
- For the year ended March 31, 2016, major increase represents capital expenditures of ¥213 million. Major decrease represents depreciation of ¥396 million.
- For the year ended March 31, 2017, major increase represents capital expenditures of ¥386 million (\$3,446 thousand) and change in the use of property of ¥116 million (\$1,033 thousand). Major decrease represents depreciation of ¥446 million (\$3,977 thousand).
- Market value of major assets is based on appraisals obtained from

outside real estate appraisers as of March 31, 2016 and 2017. The market value of other relatively immaterial assets is based on certain valuations and other indicators properly reflected by market prices.

Note 4 Changes in Net Assets

(1) Types and numbers of outstanding shares and of treasury stock

(a) For the year ended March 31, 2016

Type of stock	(Number of shares)			
	As of April 1, 2015	Increases	Decreases	As of March 31, 2016
Issued stock:				
Common stock	295,851,065	–	–	295,851,065
Treasury stock:				
Common stock	10,027,894	1,166,095	550	11,193,439

(Reasons for changes)

The increase in the number of shares resulted from the following:

- Acquisition of treasury stock based on a resolution at the board of directors' meeting 1,133,000 shares
 - Request for redemption of odd-lot stock 33,095 shares
- The decrease in the number of shares resulted from the following:
- Request for additional purchase of odd-lot stock 550 shares

(b) For the year ended March 31, 2017

Type of stock	(Number of shares)			
	As of April 1, 2016	Increases	Decreases	As of March 31, 2017
Issued stock:				
Common stock (2)	295,851,065	–	147,925,533	147,925,532
Treasury stock:				
Common stock (3, 4)	11,193,439	9,448,715	10,319,858	10,322,296

(Reasons for changes)

- The Company implemented a share consolidation of which two shares were consolidated into one share as of October 1, 2016.
- The decrease in the number of common stock issued resulted from the following:
 - Share consolidation 147,925,533 shares
- The increase in the number of treasury stock of common stock resulted from the following:
 - Acquisition of treasury stock based on a resolution at the board of directors' meeting 9,436,000 shares (before the share consolidation)
 - Request for redemption of odd-lot stock 11,802 shares (before the share consolidation: 10,058 shares) (after the share consolidation: 1,744 shares)
 - Acquisition of fractional shares as a result of the share consolidation 913 shares (after the share consolidation)
- The decrease in the number of shares resulted from the following:
 - Share consolidation 10,319,749 shares
 - Request for redemption of odd-lot stock 109 shares

(2) Cash dividends distributed

Dividends paid during the year ended March 31, 2017

Resolution	Type of stock	Total dividends (Millions of yen and Thousands of U.S. dollars)	Dividend per share (Yen and U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 22, 2016	Common stock	¥ 1,707 \$ 15,222	¥ 6 \$ 0.05	March 31, 2016	June 23, 2016
Board of Directors' meeting on November 1, 2016	Common stock	¥ 1,651 \$ 14,717	¥ 6 \$ 0.05	September 30, 2016	December 6, 2016

- The dividend per share resolved at the General shareholders' meeting on June 22, 2016 includes a ¥1 (\$0.008) commemorative dividend for the 70th anniversary of the Company.
- The dividend per share resolved at the Board of Directors' meeting on November 1, 2016 represents amounts before the share consolidation held on October 1, 2016, since the record date is September 30, 2016.

Dividends of which the record date falls in the current fiscal year but the effective date falls in the following fiscal year

Resolution	Type of stock	Source of dividends	Total dividends (Millions of yen and Thousands of U.S. dollars)	Dividend per share (Yen and U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 27, 2017	Common stock	Retained earnings	¥ 2,201 \$ 19,622	¥ 16 \$ 0.14	March 31, 2017	June 28, 2017

Note 5 Income Taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 33.1% and 30.9% for the years ended March 31, 2016 and 2017, respectively. The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rate for the following reasons:

	2016	2017
Statutory tax rate	33.1%	30.9%
Entertainment and other non-deductible expenses	1.1	0.8
Dividends exempted for income tax purposes	(0.1)	(0.0)
Inhabitants' tax per capita	0.7	0.5
Change in valuation allowance	(2.7)	(4.1)
Tax credit for research and development expenses, etc.	(2.6)	(1.4)
Tax rate differences of overseas affiliates	(1.8)	(1.4)
Equity in earnings of affiliates accounted for by the equity method	(0.3)	(0.4)
Undistributed earnings of affiliates	(0.1)	0.5
Deferred tax assets reduced due to the changes in tax rate	0.4	-
Other, net	1.1	0.9
Effective tax rate	28.8%	26.3%

Note 6 Per Share Information

Net assets per share as of March 31, 2016 and 2017 are calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net assets	¥ 155,523	¥ 164,747	\$ 1,468,338
Net assets attributable to common stock	150,442	159,141	1,418,369
Amounts excluded from net assets: Non-controlling interests	5,081	5,606	49,968
Number of common stock used for the calculation of net assets per share (in thousands)	142,328	137,603	-

Profit per share for the years ended March 31, 2016 and 2017 is calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit attributable to owners of parent	¥ 13,471	¥ 18,751	\$ 167,123
Amounts not attributable to common shareholders	-	-	-
Profit attributable to owners of parent for common stock	13,471	18,751	167,123
Average number of common stock during the fiscal year (in thousands)	142,860	138,782	-
Diluted profit per share			
Adjustments for the potential effect of dilutive securities: (Including loss resulting from conversion of preferred stock of affiliates accounted for by the equity method to common stock)	(23)	-	-
Number of common stock increased	(23)	-	-
	-	-	-

The Company implemented the share consolidation of which two shares were consolidated into one share as of October 1, 2016. Net assets per share, profit per share and diluted profit per share are calculated as if the share consolidation was implemented at the beginning of the previous fiscal year.

Note 7 Segment Information

(1) General information about reportable segments
Reportable segments are components of the Company and its consolidated subsidiaries for which separate financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resources to be allocated to the segments and to assess their performance. Reportable segments are determined by product and service as "Processed foods," "Marine products," "Meat and poultry products," "Logistics," and "Real estate."
General information about the segments is as follows:

- Processed foods: Production, processing and sales of frozen cooked foods, agricultural processed foods, retort-pouch foods, wellness foods, acerola and packed ice
- Marine products: Processing and sales of marine products
- Meat and poultry products: Processing and sales of meat and poultry products, and breeding and sales of chicken
- Logistics: Providing distribution/transportation services and distribution center functions, logistics consulting, providing storage services, production and sales of ice, and construction work and planning
- Real estate: Leasing of office buildings and parking lots, management of real estate, and sales of housing land.

(2) The basis of measurement for sales, profit or loss, assets, liabilities and other items of reportable segments
Accounting policies and methods used at operating segments are the same as those applied to the Company. Profit or loss of reportable segments is equal to operating income on the consolidated statements of income. Intercompany sales and transfers are based on third-party transaction prices.

(3) Sales, profit or loss, assets, liabilities and other items by reportable segment for the years ended March 31, 2016 and 2017 were summarized as follows:

	Year ended March 31, 2016 (Millions of yen)									
	Reportable segment						Total	Other (*1)	Total	Adjustment
Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total					
Sales:										
External sales	¥ 198,553	¥ 68,598	¥ 89,755	¥ 170,491	¥ 3,365	¥ 530,763	¥ 4,587	¥ 535,351	¥ -	¥ 535,351
Intercompany sales and transfers	665	195	2,285	14,378	1,278	18,804	618	19,422	(19,422)	-
Total	199,219	68,794	92,040	184,869	4,643	549,567	5,206	554,773	(19,422)	535,351
Segment profit	7,959	652	382	9,950	2,197	21,142	906	22,048	(464)	21,583
Segment assets	106,019	28,196	18,669	150,732	16,837	320,454	4,724	325,179	13,318	338,497
Other items:										
Depreciation	5,144	100	209	9,490	808	15,752	114	15,867	588	16,455
Amortization of goodwill	113	-	-	101	-	214	-	214	-	214
Investments in equity-method investees	1,300	135	142	1,261	-	2,840	-	2,840	1,191	4,031
Increase in property, plant and equipment and intangible assets	5,443	244	269	8,896	500	15,354	183	15,537	638	16,175
Outstanding balance of goodwill	1,606	-	-	1,162	-	2,768	-	2,768	-	2,768
Impairment loss on fixed assets	¥ 73	¥ -	¥ -	¥ -	¥ -	¥ 73	¥ -	¥ 73	¥ -	¥ 73

	Year ended March 31, 2017 (Millions of yen)									
	Reportable segment						Total	Other (*1)	Total	Adjustment
Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total					
Sales:										
External sales	¥ 204,670	¥ 69,297	¥ 86,325	¥ 172,275	¥ 3,275	¥ 535,845	¥ 3,812	¥ 539,657	¥ -	¥ 539,657
Intercompany sales and transfers	355	78	1,802	14,609	1,361	18,207	673	18,880	(18,880)	-
Total	205,025	69,376	88,128	186,884	4,636	554,052	4,485	558,538	(18,880)	539,657
Segment profit	13,872	794	1,610	10,632	2,124	29,035	605	29,640	(330)	29,309
Segment assets	112,509	27,673	17,841	149,883	15,656	323,565	4,951	328,517	17,677	346,195
Other items:										
Depreciation	4,857	112	202	9,372	821	15,366	120	15,486	570	16,057
Amortization of goodwill	106	-	-	86	-	192	-	192	-	192
Investments in equity-method investees	1,391	178	145	1,540	-	3,256	-	3,256	1,289	4,545
Increase in property, plant and equipment and intangible assets	4,022	268	188	7,590	450	12,520	612	13,133	754	13,887
Outstanding balance of goodwill	1,462	-	-	980	-	2,442	-	2,442	-	2,442
Impairment loss on fixed assets	¥ 204	¥ 12	¥ -	¥ 19	¥ -	¥ 236	¥ -	¥ 236	¥ -	¥ 236

	Year ended March 31, 2017 (Thousands of U.S. dollars)									
	Reportable segment						Total	Other (*1)	Total	Adjustment
Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total					
Sales:										
External sales	\$ 1,824,154	\$ 617,628	\$ 769,393	\$ 1,535,434	\$ 29,193	\$ 4,775,805	\$ 33,975	\$ 4,809,781	\$ -	\$ 4,809,781
Intercompany sales and transfers	3,170	698	16,064	130,206	12,133	162,274	6,003	168,277	(168,277)	-
Total	1,827,325	618,327	785,458	1,665,641	41,327	4,938,079	39,979	4,978,059	(168,277)	4,809,781
Segment profit	123,644	7,077	14,357	94,763	18,937	258,779	5,395	264,175	(2,947)	261,227
Segment assets	1,002,757	246,643	159,019	1,335,862	139,543	2,883,825	44,134	2,927,960	157,556	3,085,517
Other items:										
Depreciation	43,293	1,003	1,808	83,530	7,317	136,954	1,072	138,026	5,088	143,114
Amortization of goodwill	947	-	-	771	-	1,718	-	1,718	-	1,718
Investments in equity-method investees	12,403	1,593	1,293	13,729	-	29,019	-	29,019	11,496	40,515
Increase in property, plant and equipment and intangible assets	35,852	2,390	1,679	67,652	4,018	111,592	5,460	117,052	6,724	123,777
Outstanding balance of goodwill	13,032	-	-	8,737	-	21,769	-	21,769	-	21,769
Impairment loss on fixed assets	\$ 1,820	\$ 112	\$ -	\$ 175	\$ -	\$ 2,107	\$ -	\$ 2,107	\$ -	\$ 2,107

Note:
(*1) "Other" represents operating segments not disclosed as reportable segments, which include biosciences business, human resources and payroll-related services, tree planting management and cleaning services related to tree planting.

Note 8 Subsequent Events

(Cancellation of treasury stock)

The Company has carried out the cancellation of treasury stock as outlined below based on the resolutions at the board of directors' meeting held on May 9, 2017, pursuant to Article 178 of the Companies Act.

- (1) Reason for the cancellation of treasury stock
For the purpose of enhancing shareholders' return and improve capital efficiency
- (2) Type of stock cancelled
The Company's common stock
- (3) Number of shares cancelled
8,000,000 shares
(Ratio to the total number of outstanding shares (including treasury stock) before cancellation is 5.41%)
- (4) Date of cancellation
May 16, 2017
- (5) Total number of outstanding shares after the cancellation
139,925,532 shares

(Acquisition of treasury stock)

The Company has carried out the acquisition of treasury stock as outlined below based on the resolutions at the board of directors' meeting held on May 9, 2017, pursuant to Article 156, Paragraph 1 of the Companies Act, which is applied in accordance with the provisions of Article 165, Paragraph 3 of the Act.

- (1) Reason for the acquisition of treasury stock
For the purpose of enhancing shareholders' return and improve capital efficiency
- (2) Details of the resolutions at the board of directors' meeting regarding to the acquisition of treasury stock
 - (a) Type of stock acquired
The Company's common stock
 - (b) Total number of shares acquired
4,700,000 shares (ceiling)
(Ratio to the total number of outstanding shares (excluding treasury stock) is 3.42%)
 - (c) Period of the acquisition
May 10, 2017 to September 29, 2017
 - (d) Total amount of the acquisition
¥14,000 million (\$124,777 thousands) (ceiling)
- (3) Result of the acquisition
Based on the resolutions as noted above, the Company acquired own shares through the Off-auction Own Share Repurchase Market (ToSTNeT-3) of the Tokyo Stock Exchange on June 2, 2017 and completed the acquisition intended by the resolutions.
Total number of shares acquired was 4,327,600 shares of the Company's common stock, and total amount of the acquisition was ¥13,999 million (\$124,768 thousands).