

A Conversation with the President



Business Environment

Changes in the Business Environment

Q What was the business environment like in the fiscal year ended March 2009?

A year of major, unprecedented changes

In the fiscal year ended March 2009, there were some changes in the business environment that were bigger than any we have experienced to date. The sudden slowing of the economy that started with the subprime loan problem in the U.S. affected the food industry in such ways as causing stagnation in the restaurant industry, consumers' focus on lower prices and other changes despite the industry's reputation for being recession-resistant. This trend is still increasing day by day, so I believe it will probably take at least two or three years before we see a recovery.

Not only did crude oil prices and global prices of grains and other agricultural products increase, but it became difficult to obtain certain foods due to increased competition from emerging countries also seeking supplies. These and other factors temporarily hampered our earnings environment. These problems began to ease as the worldwide recession began in the middle of the year, but we believe they will recur in the future as the economy recovers. In addition, there has been a steady stream of problems in the domestic food industry related to food safety and labeling, which has had a major impact on the industry as a whole and on frozen foods in particular.

Impact on Nichirei

Q How have these major changes in the business environment affected Nichirei?

Profits down in the short term, but dominance in the industry increased

These wide reaching, major changes did affect Nichirei. If I look only at the business results of the fiscal year ended March 2009, our various businesses were affected to different degrees.

The business most affected was Processed Foods, which is one of our two core businesses. In the first half price revisions due to large increases in ingredient costs, and in the second half there was a shift toward low-end products in response to the economic slowdown. These changes occurred so quickly that they cut into our profit margin. In Meat and Poultry Products, also, we couldn't respond quickly enough to the drastic drop in the market for imported frozen chicken, and we ended with a loss. On the other hand, our other core business, Logistics, was not affected so much and performed well, thanks largely to a strong showing in our business in Europe. And our Marine Products business, which had been struggling for the last several years, turned a profit despite the difficulty posed by a sharp drop in the market in reaction to the stronger yen.

So you can see that the effects were quite varied depending on the business. What I can say with certainty is that from a medium or long-term point of view, it was by no means an entirely bad

year. I say that because the recent increase in concerns over food safety and reliability and the flurry of industrial reorganizations have changed the picture so that only a company with advanced technological capabilities and a solid financial basis can survive.

Nichirei's technology is among the best in the industry in many areas, and we have a very strong balance sheet now that we have finished our financial reforms, so we are likely to increase our dominance in the industry more than ever. If we look at the domestic and international economy, for the next two or three years we expect our business environment to be even harsher than it is now. However, when the next economic recovery comes around, Nichirei's position within the industry will be stronger than ever, and I feel certain that our earning potential will be greatly increased.

Business Results for the Year ended March 2009 and Nichirei's Medium-Term Plan

Summary and Evaluation of Business Results

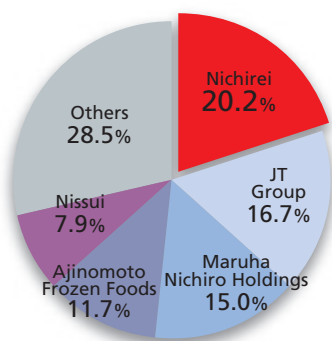
Q Please summarize Nichirei's business results for the year ended March 2009, and explain your assessment of the Medium-Term Plan now that the second year is finished.

Profits down despite increased sales

We began the year through March 2009 expecting to put in

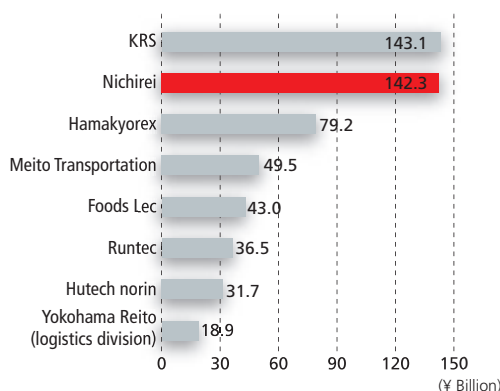
Nichirei's Position within the Industry

Market Shares in Japanese Frozen Food Market in 2008

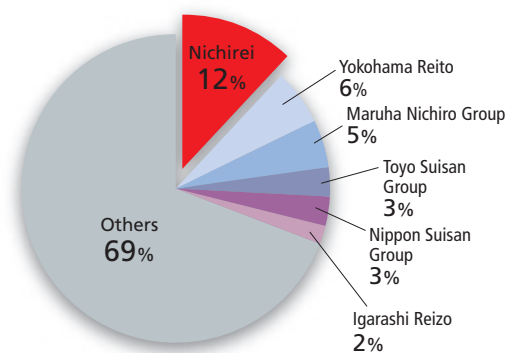


Source: The Nikkei

Sales by Major Low-temperature Logistics Companies (year through March 2009)



Storage Capacity Shares in Japanese Refrigerated Warehouse Industry



Compiled by Nichirei based on data from JARW as of January 1, 2009

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place the new growth track called for in the second year of our Medium-Term Plan. Based on the theme “Advance & Challenge,” the Plan is built on seven policies including “actively create customer value to promote business growth,” “develop globally while making the most of our solid domestic foundation,” “form alliances and M&As that help build corporate value,” and “enhance quality assurance systems.” However, due to the severe changes in the business environment that were described above, we ended the term with a decline in income despite increased net sales. Consolidated net sales amounted to 474,515 million yen (up 2.4% from the previous year), operating income was 15,142 million yen (down 12.7%), and net income was 6,020 million yen (down 37.4%). Net sales fell short of our target (as revised in May 2008) by approximately 5.0 billion yen, operating income fell short approximately 2.6 billion yen, and net income fell short approximately 2.9 billion yen. Results by business unit are shown in the table right.

Although there were a great many external factors as mentioned above, which were beyond a single company’s ability to overcome, I am still not satisfied with our results from a quantitative standpoint. Based on these results, we will have to revise our numerical targets for the year through March 2010 – the final year of our Medium-Term Plan – for which I apologize sincerely to our shareholders. We take this situation very seriously, and intend to apply the lessons learned from this fiscal year in our future management.

(¥ Billion unless otherwise specified)

	Mar. 2008 Actual	Mar. 2009 Actual	Mar. 2009 Targets
Net sales	¥ 463.5	¥ 474.5	¥ 479.6
Processed Foods	175.0	174.0	187.8
Marine Products	74.6	76.0	74.4
Meat and Poultry Products	83.9	92.5	86.0
Logistics	138.7	142.3	142.5
Operating income	17.3	15.1	17.8
Processed Foods	4.1	2.0	5.7
Marine Products	(0.4)	0.2	0.2
Meat and Poultry Products	0.6	(0.0)	0.8
Logistics	8.5	8.2	7.8
Net income	9.6	6.0	9.0
Net income per share (yen)	31.04	19.42	29.03

Qualitative Results

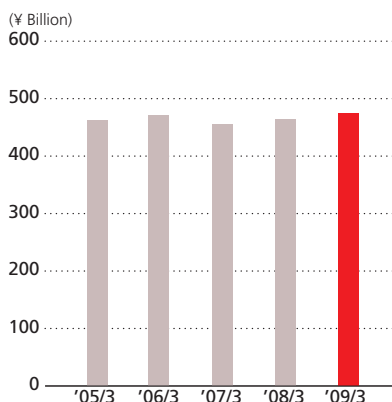
Q How did Nichirei perform in the year ended March 2009 in qualitative terms?

Various achievements aimed at future growth

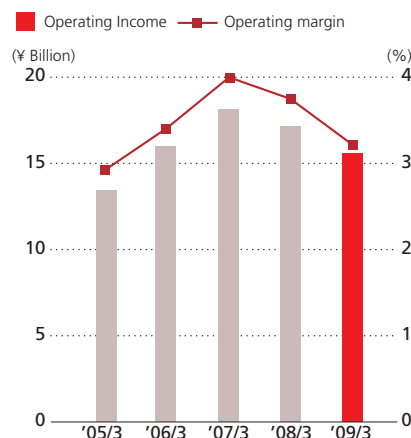
Although we did not meet our Medium-Term Plan’s profit targets in the year ended March 2009, qualitatively speaking, we achieved many results that should lead to future growth.

First of all, in our Processed Foods business we eliminated some low-profit items, while our mainstays including specialty items

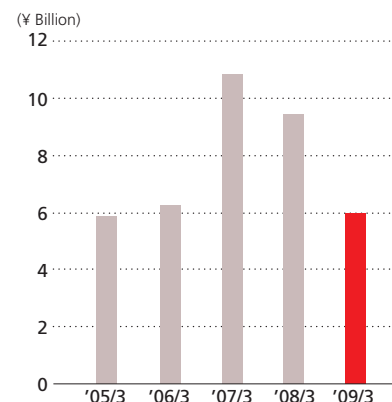
Net Sales 2005-2009



Operating Income & Operating Margin 2005-2009



Net Income 2005-2009



like croquettes and fried chicken sold well with the growing popularity among customers and we were able to increase production line capacity utilization. This made us all the more sure that we should continue to focus on commercial-use foods as a future growth area. In addition, we acquired a production base for chicken products in Thailand, established a sales framework in Europe for frozen sushi and other Japanese foods, and enhanced our fruit juice production facilities in Brazil, among other steps that we take to steadily improve our potential for earning profits in the period covered by our next Medium-Term Plan.

In Logistics, we moved forward with “scrap and build” of our domestic refrigerated warehouses. In the year ended March 2008, we were only able to implement about one third of the equipment investment projects called for in our Plan, largely because of building permit delays resulting from stronger enforcement of the Building Standards Law. However, in the year ended March 2009 we made up for the lost time so that we are now on track to complete those projects according to the schedule set forth in our Medium-Term Plan. The Japanese logistics industry is mostly made up of small and medium-sized companies, some of which are having trouble investing in new equipment. Thanks to Nichirei’s solid financial condition, however, we are able to update our facilities and thereby build ourselves a stronger business base for the future.

We achieved our Marine Products business’s most important goal by turning a profit. We accomplished this by not only

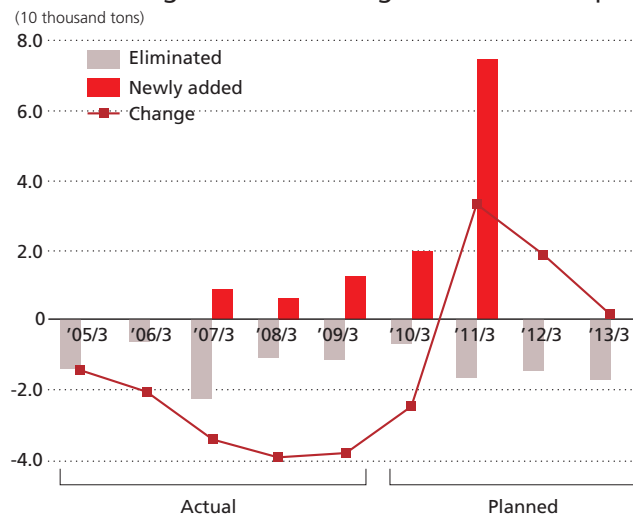
improving operational efficiency and optimizing inventories, but also by successfully establishing new channels that will lead to future growth, for example by expanding sales of sushi toppings to major chains of revolving sushi bars. In Meat and Poultry Products, our “Jun Wakei” (pure Japanese chicken) business, which centers around Nichirei Fresh Farm, produced disappointing results in terms of profits, but we did succeed in gaining knowhow



that will be useful in our future upstream business.

We feel that we obtained many qualitative results in the year ended March 2009 that will directly contribute to our future growth, in line with the “Advance & Challenge” theme of our Medium-Term Plan.

Nichirei’s Regional Cold Storage Warehouse Capacity



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Final Year of the Medium-Term Plan

Q Please explain your main objectives for the final year of Nichirei's Medium-Term Plan.

Identifying problems remaining from the previous year and decisively resolving important issues



After carefully examining the reasons we fall short of our Medium-Term Plan's overall Group targets, we determined specific measures that each business unit should be sure to take in the final year of the Plan. As companywide objectives, we want to further solidify the positions of Processed Foods and Logistics as number one in their respective fields, and make Marine Products and Meat and Poultry Products the number one or two income-earners in specific fields. We revised our final numerical targets as shown in the table right above, and we intend to unite the entire Nichirei Group in a push to achieve these goals.

The first key to achieving these goals in our Processed Foods business will be thorough control of costs, including both production costs and selling, general, and administrative

expenses, to enable us to respond rapidly in case of sudden deterioration in the business climate. This is an area where we fell behind in the year ended March 2009. Also, we will concentrate

(¥ Billion)

	Mar. 2010 (revised targets)
Net sales	¥ 481.4
Processed Foods	177.4
Marine Products	76.1
Meat and Poultry Products	95.0
Logistics	144.7
Operating income	16.6
Processed Foods	4.4
Marine Products	0.4
Meat and Poultry Products	0.7
Logistics	7.6
Net income	7.7

management resources in commercial-use foods, a growth area with relatively high profitability. Our goal is to achieve an operating margin of 2.5% at the end of the fiscal year. In our health value business, we will concentrate on developing high-added-value products and establishing new sales channels in order to make up for lost time in achieving the targets of our Medium-Term Plan. In our overseas business, we expect to see growth in sales of Japanese foods and Brazilian juice including acerola, and we will work to quickly establish a framework for earnings through more thorough management.

In Logistics, we will refine individual functions such as 3PL, storage, operations, processing & distribution, and transportation, while providing one-stop service that combines high quality and cost competitiveness. In our Logistics Network Business, we will reinforce our vehicle procurement base, increase capacity utilization, and expand Group-wide transport sales in both the room temperature and chilled sectors.

In Marine Products, we plan to build a framework for

maintaining operating profits regardless of market fluctuations by maintaining appropriate inventory levels and boosting sales to major trading partners. In addition, we aim to expand sales primarily of sushi toppings, in Hong Kong and Singapore.

We will work to quickly restore Meat and Poultry Products to profitability by further distinguishing our premium ingredients through gourmet offerings like “Gensou Special Pork” and developing products with optimal degree of processing that suits customers’ needs, and we also aim to improve the earning power of Nichirei Fresh Farm.

Nichirei’s Future

Long-Term Focus

Q Have the recent changes in the business environment altered the direction in which Nichirei is headed in the long term?

Nichirei’s focus is guided by strength

We realize that the drastic changes we experienced in our business environment through the year ended March 2009 were big enough to rock the entire food-related industry. However, the basic direction of Nichirei has not changed in the least. As expressed in our corporate mission statement, our aim is “looking at lifestyles and providing true satisfaction” as a food pioneering company with outstanding food and logistics services.

This sense of mission is deeply embedded in the spirit of all employees and directors in Nichirei. And we believe that our various strengths – such as industry-leading food processing technology and logistics capacity, trust in the safety and reliability cultivated through long years of hard work, a track record and history as the top company in the Japanese frozen food industry, and our comprehensive Group strength – only serve to further bolster Nichirei’s dominance, rather than diminishing in the times of great change. As we have done in the past, we plan to continue building on our strengths in order to make Nichirei stronger than ever.

Q Please end with a word to shareholders and investors.

Taking the results of the year ended March 2009 seriously and applying them toward future growth

We have had to revise the numerical targets for the final year of our current Medium-Term Plan in light of the results of the fiscal term ended March 2009. Although there were big changes in our



business environment including simultaneous business slowdowns around the world, we take this result very seriously and are prepared to work hard to make it lead to future growth.

Though we set our annual dividend at nine yen per share for the fiscal year ended March 2009, our policy for the medium-to long-term is to achieve a consolidated dividend-on-equity ratio of 2.5%, consolidated payout ratio of 25%, and return on equity of 10%. In order to achieve these goals, we are looking at revising allocation of management resources for the Group as a whole, as something we would like to realize under our next Medium-Term Plan. We would greatly appreciate the continued understanding and support of our shareholders and investors.