

# Management's Discussion and Analysis

## OPERATIONS

### Business Environment

Japan's economy in the fiscal year ended March 2009 experienced one of its worst recessions ever. Prices of oil, grains, and other commodities rose sharply in the first half, and then in the second half, when a global credit crunch that originated with the U.S. subprime crisis led to a sharp, unprecedented downturn in consumer spending, cutbacks in business investment, and a deterioration in job conditions, exchange rates and prices of stocks, marine products, agricultural and livestock products, and other commodities became even more volatile.

In the food industry, our business field, business conditions became very challenging and overall volume declined. A number of problems related to food safety and labeling arose, heightening consumers' awareness of food safety and reliability. At the same time, the recession led to a slump in spending and made consumers more price conscious.

### Overview

Faced with these unprecedented conditions, we strove to increase the Group's value and establish a foundation for growth at home and overseas during the fiscal year, the second year of our Medium-Term Plan (April 2007 – March 2010). Specifically, we tried to create value for our customers, expand globally, acquire, partner, or merge with other companies, and strengthen our quality assurance system, in line with the plan's theme of "Advance & Challenge."

With fewer choices for companies to raise financing because of the recession, we took out long-term bank loans ahead of schedule to have the funds to refinance other long-term financing and build new logistics centers in the next fiscal year. We also took other steps to increase liquidity and be financially stable.

### Operating Results

Net sales for the fiscal year through March 2009 increased 2.4% from the previous year to ¥474,515 million. Sales grew strongly in the Meat and Poultry Products business, thanks to chicken. Sales also rose in the Logistics business, owing to the Regional Storage and Logistics Network businesses; in Marine Products business, thanks to the shrimp business in the first half; and in Other Operations, as a result of industrial cell-culture media in the biosciences business. However, sales declined in Processed Foods business, owing mainly to a sharp

decline in sales of acerola, and in Real Estate, where sales volume shrank.

Operating income fell 12.7% from the previous year to ¥15,142 million. The operating margin declined from 3.7% to 3.2%. Operating income declined in the Logistics business because of fuel surcharge costs and a sharp decline in transport demand; in the Processed Foods business because of an increase in material costs; and in the Meat and Poultry Products business because of sharp declines in domestic imported chicken prices. Operating income also fell in Real Estate and Other Operations. However, operating income increased in the Marine Products business as the impact of an increase in the volume of shrimp, which was strong in the first half, offset the impact of sharp price volatility in the second half.

Among the key cost items, cost of sales rose 3.6% from the previous year to ¥387,186 million, or 81.6% of net sales, up 1.0 percentage point. Selling, general and administrative expenses declined 0.4% to ¥72,185 million. Within this category, transport and storage costs, sales commissions, executive compensation and employee salaries, bonuses, and allowances, retirement benefit costs, mandatory employee benefits, outsourcing costs, and R&D increased, while sales promotion expenses, advertising expenses, travel, transportation, and communication costs, and rent decreased.

### ■ Performance by Segment

#### Processed Foods

	2008.3	2009.3	Change (%)
Net sales	¥175,008	¥174,027	-0.6
Operating income	4,112	2,023	-50.8
Operating margin	2.3%	1.2%	

(¥ Million)

Conditions were very challenging for the Processed Foods business in the year ended March 2009. A number of problems related to food safety and labeling arose during the year. In the first half, sharp increases in material costs led to food product price increases and a weak overall market. In the second half, prices of oil, grains, and other commodities started to decline and consumers became increasingly price conscious. The amount that consumers spent on prepared frozen foods for the household market declined 1.7% from the previous year, according to a national panel survey of consumer households.

Under such market conditions, net sales of our Processed

Foods for the fiscal year through March 2009 slipped 0.6% from the previous year to ¥174,027 million. Overall sales were in line with the previous year's, as weak sales of acerola beverages and prepared frozen foods for the household use, the latter owing to an overall market slump, were offset by relatively strong sales of prepared frozen foods for the commercial use. Operating income fell 50.8% to ¥2,023 million. We raised some sales prices to stay profitable and spent efficiently on advertising and sales promotion expenses, thereby reducing overall product flow costs by 6.6% from the previous year. These costs as a percentage of sales improved by 0.9 percentage point. However, a 0.8% increase in distribution costs, and increase in product and material costs, and weak sales of acerola beverages had a heavy impact.

#### (a) Prepared Frozen Foods for Household Use

The overall market was weak because of a number of food safety-related problems. However, sales of fried chicken and shrimp pilaf were strong, as were sales of such new products as six items in the "Kokusan Sozai" series of products made at Japanese plants with Japanese key ingredients and "Ebi Shio Chahan" (salted shrimp fried rice), which is targeted at women. Net sales of these foods were in line with the previous year's, slipping only 0.9% to ¥46.1 billion. Also, efficient spending on advertising and marketing contributed to an increase in profits on the products.

#### (b) Prepared Frozen Foods for Commercial Use

Net sales of fried chicken and other processed chicken products, mainly for the home meal replacement market, increased. Sales also rose for croquette products. Popular ones included meat croquettes made with "Kita-akari" potatoes from Tokachi, Hokkaido, part of a series of new "Sozaibin" products with a focus on good taste and reassuring ingredients and made in cooperation with local producers, and gratin croquettes made with milk produced at the foot of the Zao Mountains. As a result, overall sales of these products increased 3.6% to ¥86.9 billion. Profits on the products decreased, however, because product price increases and a reduction in a range of costs, from purchasing to sales costs, were insufficient to offset the impact of higher product and material costs.

#### (c) Frozen Agricultural Products

Net sales of frozen vegetables for households were again lower than in the previous year, as consumers stayed

away from Chinese products, but sales of potatoes and green soybeans for commercial use were strong. Overall sales of agricultural products increased 1.9%, and profits on the products also rose.

#### (d) Acerola

Despite a full-fledged revamp and other efforts to strengthen acerola beverage brands, drink sales were weak, declining 28.7% from the previous year. Profits on the drinks also fell. We formed Nichirei Suco Inc. as part of our global strategy for the fruit juice business and began developing a structure for fruit juice sales in the Asia and Oceania region, in addition to Europe.

#### (e) Wellness Foods

Net sales of wellness foods increased 12.4% thanks to contributions from Heart & Heart Life Support Inc. and Smile Diner Inc., which became consolidated subsidiaries in the previous year. Profits on the products, however, declined because the sales growth was insufficient to offset higher fixed costs.

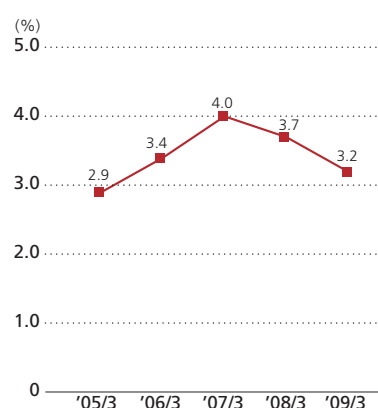
For the Processed Foods business, we expect net sales in the fiscal year ending March 2010 to increase 1.9% to ¥177,400 million and operating income to jump 117.5% to ¥4,400 million because of strong growth for products for the home meal replacement market, a rebound in the market for prepared frozen foods for the household use, and improved profitability from a decline in material costs and an increase in prices of products for the household use.

#### Marine Products

	2008.3	2009.3	Change (%)
Net sales	¥74,668	¥76,078	1.9
Operating income	(455)	275	–
Operating margin	–	0.4	–

(¥ Million)

#### Operating Margin 2005-2009



Market conditions for marine products were very volatile during the fiscal year through March 2009. In the first half of the fiscal year, worldwide demand for marine products increased again, as it did in the previous year, and fishing costs rose because of a sharp rise in fuel costs. Competition among food companies to purchase marine product supplies thus intensified. In the second half, though, domestic and overseas demand for marine products declined sharply as a result of a slump in consumer spending and exchange rate fluctuations stemming from the global financial crisis. Marine product imports in calendar 2008 decreased 4.0% in volume terms and 3.9% in value terms from 2007. The volume of shrimp imports declined 5.7% to 202,000 tons.

Net sales in our Marine Products business increased 1.9% from the previous year to ¥76,078 million with help from the development and sale of products with select materials and an optimal degree of processing that meets the market's varied needs, as well as sales of such core products as processed shrimp and sushi toppings. Operating income in the business totaled ¥275 million, versus the previous year's loss of ¥455 million, thanks to cost savings from an integration of purchasing and sales, a consolidation of business offices, and organizational reform.

#### (a) Shrimp

Net sales of shrimp, a core product in the Marine Products business, increased 0.1%. Sales of shrimp including Central and South American shrimp were weak in whole, but sales of shelled shrimp and processed shrimp were strong. Profits on shrimp increased thanks to improved margins on Southeast Asian shrimp and processed shrimp.

#### (b) Other Seafood

Net sales of marine products other than shrimp increased 5.0% from the previous year because of a rise in the volume of frozen fish and shellfish sold to food processors. Profits on these products, however, were only about the same as in the previous year because of reductions in the volume of octopus and fish egg products, the costs of which stayed high.

We expect segment net sales in the fiscal year ending March 2010 to be ¥76,100 million, about the same as in the fiscal year ended March 2009, and segment operating income to rise 45.4% to ¥400 million because of further selection of products that can generate steady profits,

such as growth-driving shrimp and processed products, and contributions from the wide-area sales structure developed in 2008.

#### Meat and Poultry Products

	2008.3	2009.3	Change (%)
Net sales	¥83,939	¥92,517	10.2
Operating income	609	(30)	-
Operating margin	0.7%	-	

(¥ Million)

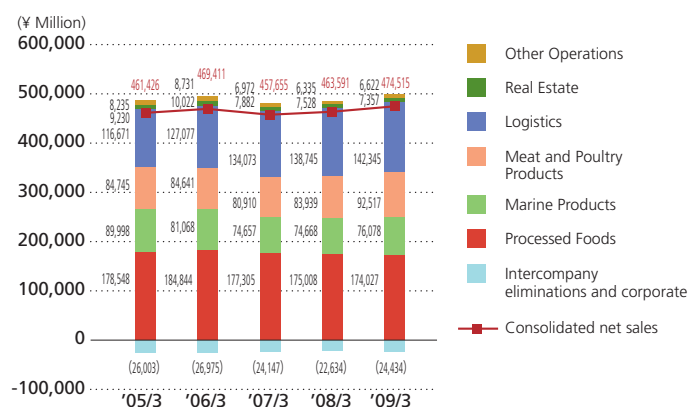
Market conditions for meat and poultry products remained very challenging. In the year through March 2009, sharp increases in feed prices worldwide pushed up the costs of producing meat and poultry products, and the costs of domestic and imported products stayed high. In the second half, Japanese prices of imported chicken declined sharply because of drastic changes in supply-demand conditions at home and abroad, partly owing to a decline in feed grain prices and exchange rate fluctuations.

In our Meat and Poultry Products business, the volume of domestic and imported products increased substantially, with help from strong domestic demand for chicken and pork. Net sales rose 10.2% to ¥92,517 million, but operating losses totaled ¥30 million partly because of a sharp decline in Japanese prices of imported chicken.

#### (a) Chicken

Sales of chicken increased 21.3% thanks to a substantial increase in the volume of domestic and imported frozen foods, but losses resulted from steep declines in the market prices of chicken from Brazil, the import volume of which rose sharply.

#### Net Sales by Segment 2005-2009



### (b) Beef

Sales of beef increased 0.9% from the previous year. Domestic beef prices stayed high and volumes declined, but sales of Australian beef rose as a result of increased demand for its use in other products.

### (c) Pork

Sales of imported frozen pork and domestic pork were strong and rose 5.2%, owing to solid domestic demand.

We expect net sales in the fiscal year ending March 2010 to increase 2.7% to ¥95,000 million and operating income to reach ¥700 million because of supply-demand adjustments for Brazilian chicken, the main reason for the segment losses in the fiscal year ended March 2009, and the ongoing rebound in the amount of Brazilian chicken consumed.

## Logistics

	2008.3	2009.3	Change (%)
Net sales	¥138,745	¥142,345	2.6
Operating income	8,506	8,231	-3.2
Operating margin	6.1%	5.8%	

(¥ Million)

Conditions worsened further for the temperature-controlled logistics industry in the fiscal year through March 2009. Higher oil prices and measures to minimize the impact on the environment and improve product quality pushed up overall costs. Although the transport industry benefited from a downturn in oil prices in the second half, transport demand severely slumped because of the economic recession. In the refrigerated warehouse industry, inventory levels rose because the recession hurt the volume of cargo moved, and storage profits temporarily stabilized as a result. However, cargo-handling profits worsened because of a decline in the volume of goods placed into or taken out of storage. The volume warehoused in the 12 largest cities totaled 10,384,000 tons, about the same as in the previous year, and the average overall inventory ratio rose 1.6 percentage points to 35.5%.

Even under such conditions, our Logistics business managed to increase net sales by 2.6% to ¥142,345 million, thanks to an increase in volume in the Logistics Network Business, a continuation of operations tailored to local areas in the Regional Storage Business, the startup of new logistics centers, and strong results in Europe and China (Shanghai). However, segment operating income fell 3.2% to ¥8,231 million owing to fuel surcharge costs and a drastic slump in transport demand.

### (a) Logistics Network Business

Net sales in the business increased 1.8% to ¥72,187 million. Supermarket logistics center operations, department store logistics operations, and other established businesses did well, and convenience store delivery operations and fruit and vegetable market operations, which started up in the previous year, contributed to the sales growth. However, operating income fell 15.2% to ¥1,867 million because the impact of higher costs from fuel surcharges and a slump in transport demand in the second half of the fiscal year outweighed the impact of higher operating and transport efficiencies at logistics centers.

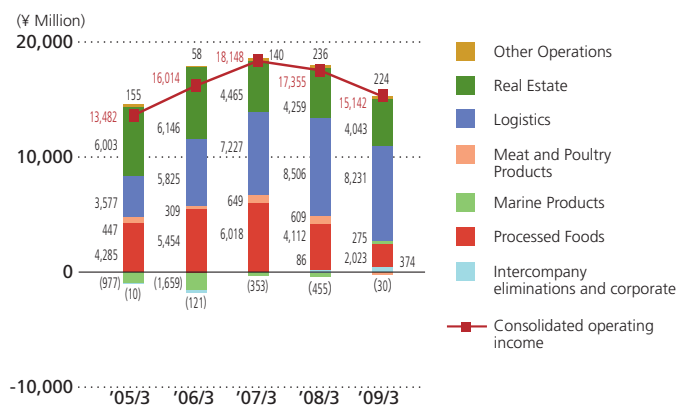
### (b) Regional Storage Business

Net sales in the business rose 4.5% to ¥46,168 million. In the second half of the fiscal year, the industrywide volume of cargo slowed and the volume of goods placed into or taken out of storage fell sharply. We continued to tailor our operations to local areas, maintained inventory levels above the industry average throughout the year, and successfully started up new logistics centers. Despite our focus on low-cost operations, operating income increased only 0.5% to ¥4,954 million because of initial costs for the startup of the new distribution centers and costs for closing down old logistics centers in the Kansai area.

### (c) Overseas Business

Sales in Europe (the Netherlands, Germany, and Poland) increased in local currency terms. The volume of fruit juice handled declined because hurricanes hit fruit-growing areas, but transport, customs, and storage operations in the

## Operating Income or Loss by Segment 2005-2009



Netherlands and Germany did well as a result of sharp increases in the volume of chicken imported from Brazil. However, sales in yen terms were about the same as in the previous year because the euro weakened against the yen. Sales in China (Shanghai) increased thanks to growth in volume in the delivery operations for convenience stores and Japanese restaurant companies owing to aggressive cargo collection.

Profits increased thanks to higher margins from the consolidation of facilities in China in the previous year, improvements in product quality, and effective use of vehicles.

Net sales in the Overseas Business slipped 0.1% from the previous year to ¥22,358 million, but operating income rose 5.0% to ¥1,650 million.

We expect overall Logistics business net sales in the fiscal year ending March 2010 to increase 1.7% to ¥144,700 million but operating income to drop 7.7% to ¥7,600 million. Sales and profits in the Logistics Network Business are likely to increase thanks to growth in new transit center business and transport volume and an absence of fuel surcharge costs. However, sales and profits are likely to decrease in the Regional Storage Business, which may be hurt by high initial startup costs and a downturn in the volume of cargo moved owing to the recession, and in the Overseas Business, which may be hurt substantially in Europe by a weak euro.

### Real Estate

	2008.3	2009.3	Change (%)
Net sales	¥7,528	¥7,357	-2.3
Operating income	4,259	4,043	-5.1
Operating margin	56.6%	55.0%	

(¥ Million)

Net sales in the Real Estate business declined 2.3% from the

previous year to ¥7,357 million and operating income fell 5.1% to ¥4,043 million. We strove to increase income in the office building rental business and strengthen the earnings base by effectively using, managing, and maintaining properties owned by the Group, but sales of land declined.

### (a) Real Estate Sales

We sold detached homes in Ushiku, Ibaraki Prefecture, and five sites, including one in Nagasaki, Nagasaki Prefecture, and one in the Hanamigawa district of the city of Chiba.

### (b) Real Estate Rentals

We renovated rental office buildings, took steps to maintain occupancy rates, and installed energy-saving cooling, lighting, and other systems.

We expect net sales in the business in the fiscal year ending March 2010 to decline 4.9% to ¥7,000 million, owing to a drop in land sales, and operating income to fall 11.0% to ¥3,600 million.

### Other Operations

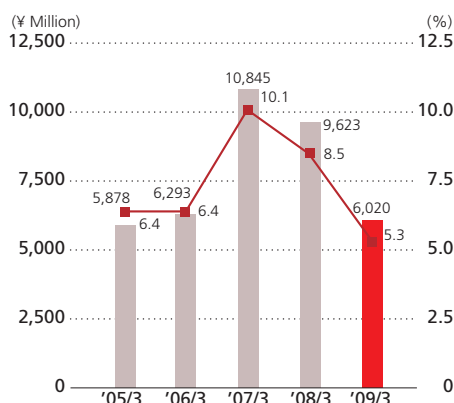
	2008.3	2009.3	Change (%)
Net sales	¥6,335	¥6,622	4.5
Operating income	236	224	-5.0
Operating margin	3.7%	3.4%	

(¥ Million)

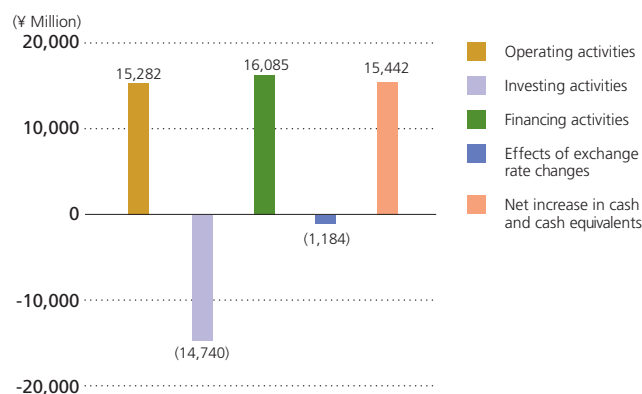
In the biosciences business, sales of industrial cell-culture media and histological stains increased. As a result, net sales in Other Operations grew 4.5% to ¥6,622 million, but operating income declined 5.0% to ¥224 million.

We expect net sales in the business in the fiscal year ending March 2010 to increase 4.2% to ¥6,900 million.

### Net Income and ROE 2005-2009



### Cash Flows 2009



## Other Income and Expenses

The net amount of other income and expenses in the fiscal year through March 2009 was ¥3,780 million, up from ¥883 million in the previous year. The main factors were ¥1,731 million in losses related to the application of lease accounting standards, a ¥649 million increase in interest expense, a ¥366 million decline in gains on the sale of investment securities, ¥45 million in losses on the devaluation of investment securities, and ¥137 million of valuation losses on memberships.

## Income before Income Taxes and Net Income

As a result of the above, income before income taxes and minority interests totaled ¥11,362 million, down 31.0% from the previous year. Net income fell 37.4% to ¥6,020 million, or ¥19.42 per share, down from ¥31.04 a year earlier.

We forecast net sales in the fiscal year ending March 2010 will increase 1.5% to ¥481,400 million because of sales growth in the Processed Foods, Meat and Poultry Products, and Logistics businesses. We forecast operating income will rise 9.6% to ¥16,600 million thanks to lower material costs in the Processed Foods business and a normalization of supply-demand conditions for Brazilian chicken in the Meat and Poultry Products business. We expect these two factors to more than offset a profit decline in the Logistics business from unfavorable exchange rates and a slowdown in the volume of cargo moved.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

Net cash provided by operating activities in the fiscal year ended March 2009 decreased ¥5,008 million over the previous year to ¥15,282 million. The main factors were a ¥4,257 million

increase in depreciation and amortization to ¥13,738 million, a ¥3,929 million decrease in income taxes paid to ¥3,543 million, a ¥3,454 million increase in inventory, and refunds of ¥3,000 million of rental building deposits.

Net cash used in investing activities totaled ¥14,740 million, up ¥8,297 million from ¥6,443 million in the previous year. The main factors were a ¥2,878 million increase in property, plant and equipment to ¥11,761 million; ¥3,468 million for the acquisition of shares of Kyurei, related to a change in the scope of consolidation; and a ¥2,224 million decrease in proceeds from the sale of investment securities to ¥309 million.

Net cash provided by financing activities totaled ¥16,085 million, a ¥30,004 million improvement compared with net cash used of ¥13,919 million in the previous year. The major factors were a ¥7,000 million increase in funds from commercial paper to ¥8,000 million, a ¥24,632 million increase in long-term debt to ¥24,973 million, and a ¥5,000 million decrease in bond redemptions to ¥5,000 million.

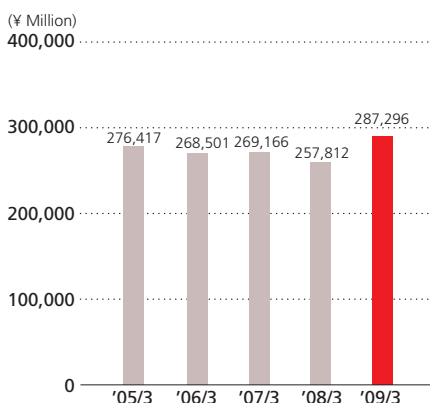
Free cash flow declined ¥13,305 million from the previous year to ¥541 million, but net interest expense improved from ¥1,349 million in the previous year to ¥1,291 million.

As a result of the activities described above, our balance of cash and cash equivalents at the end of March 2009 totaled ¥19,564 million, up ¥15,443 million from the previous year.

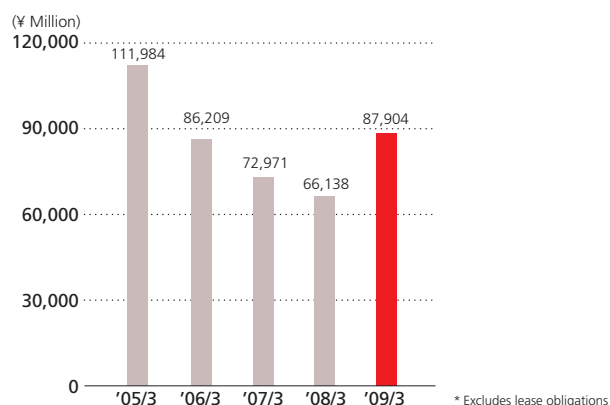
### The Balance Sheet

Total assets increased ¥29,484 million yen from the previous year to ¥287,296 million. The primary factors were a net ¥19,236 million of lease assets newly recognized as a result of the application of lease accounting standards and a ¥15,443 million increase in cash and cash equivalents from the previous year to ¥19,564 million. This increase in cash came from long-term bank loans that we borrowed ahead of schedule, in light of financial conditions and so as to have the funds to invest in plant and equipment and refinance other long-term

Total Assets 2005-2009



Interest-Bearing Debt\* 2005-2009



financing that comes due in the fiscal year ending March 2010, and other efforts to increase liquidity and be financially stable.

Current assets increased by ¥13,492 million to ¥116,589 million mainly because of the growth in cash and cash equivalents.

Property, plant and equipment increased by ¥19,045 million to ¥130,921 million mainly because of a net ¥19,236 million of lease assets newly recognized.

Investments and other assets declined by ¥3,053 million to ¥39,785 million mainly because of a decline in investment securities.

Total liabilities increased by ¥32,773 million to ¥174,096 million. The main factors were ¥22,590 million of leased obligations newly recognized as a result of the application of lease accounting standards and a ¥12,710 million increase in long-term debt, including the current portion of these debt, to ¥66,428 million as a result of long-term debt that we borrowed ahead of schedule.

Current liabilities increased by ¥30,329 million to ¥111,576 million as a result of an ¥8,000 million increase in commercial paper, an ¥23,896 million increase in the current portion of long-term debt to ¥35,900 million, and ¥3,717 million of leased obligations newly recognized. Long-term liabilities rose by ¥2,444 million to ¥62,520 million, reflecting mainly a ¥11,186 million decrease in long-term debt, a ¥3,330 million decrease in rental building deposits received as a result of refunds of deposits, and ¥18,873 million of leased obligations newly recognized.

Interest-bearing debt increased by ¥19,925 million to ¥110,495 million, but excluding leased obligations recognized as a result of the application of lease accounting standards, the figure rose by ¥21,765 million to ¥87,904 million. Interest-bearing debt amounted to 6.1 times cash flow, down 1.9 years from the previous year.

Net assets totaled ¥113,199 million, down ¥3,288 million

from the previous year. Shareholders' equity totaled ¥109,715 million, or 38.2% of total liabilities and net assets. This percentage declined 3.4 percentage points from the previous year. The debt-to-equity ratio (including leased obligations in debt) worsened by 0.16 point from 0.79 at the end of March 2008 to 0.96 at the end of March 2009. The ratio (excluding leased obligations from debt) worsened by 0.19 point from 0.58 at the end of March 2008 to 0.77.

## Significant Risk Factors Impacting Operating Results

Significant risk factors we can determine as of the end of March 2009 that could affect investors' investment decisions, of which some involve possible future developments, include the following:

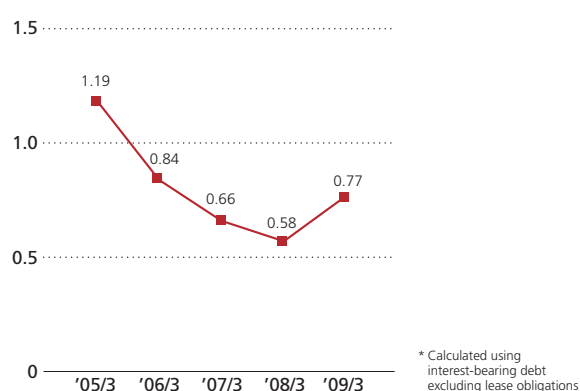
### (a) Food safety issues

One of our primary businesses is the importation of food products and materials from outside Japan. If safety or other issues arise in connection with imported food, such as avian flu, BSE, agricultural chemical residue or antibiotics, for example, the Group could have difficulty procuring stable supplies of key products or materials needed for its Processed Foods, Marine Products, and/or Meat and Poultry Products business. In addition, if these problems lead to a reduction in the volume of food imports, then the volume placed into refrigerated warehouses in the Logistics business may decline. In these ways, the emergence of food safety problems could have a material impact on the Group's results.

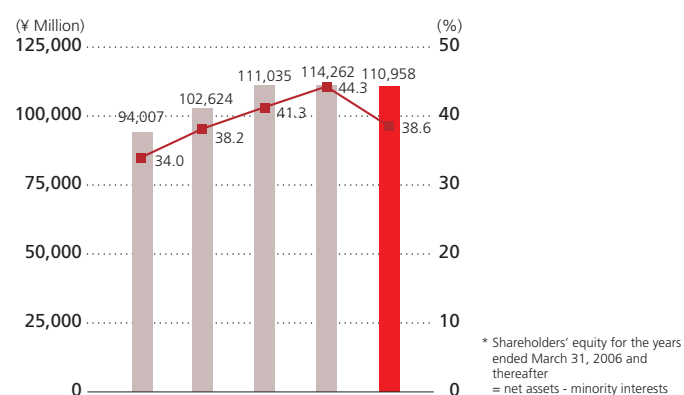
### (b) Fluctuations in prices of merchandise or materials, or in other costs

In the Marine Products business, we import our main products (e.g. shrimp, crab and octopus) from around the world. Prices of these products are affected by worldwide demand, harvest

Debt-to-Equity\* 2005-2009



Shareholders' Equity and Equity Ratio\* 2005-2009



sizes, and other factors, while at the same time domestic market prices for marine products are affected by the amount of fish caught off the coasts of Japan and domestic demand, etc. In the Meat and Poultry Products business, market prices for both domestic and imported meat and poultry can become very volatile in reaction to events that dramatically affect supply and demand, such as import bans imposed in response to food safety issues or the imposition of emergency import restrictions (“safeguard measures”). In the Processed Foods business, in which we convert the materials mentioned above as well as other materials into finished products, we work hard to improve production efficiency and to continually lower our cost of sales, but we are affected by fluctuations in crude oil and grain markets, and in the purchase prices of other materials. Thus, fluctuations in the prices of merchandise or materials, or in other costs, could have a significant impact on the Group's results.

#### (c) Product recalls

With the goal of earning customer trust in our products and services, the Nichirei Group has been working to establish a comprehensive quality assurance system that covers everything from product development and raw materials procurement to production and sales. With product safety and reliability as our highest priorities, we are establishing a solid trace back system that allows us to track down the origin of raw materials and setting up a team of quality and production control specialists. Despite such precautions, a major product recall stemming from claims against our products could have a significant impact on the Group's results.

#### (d) Risks involving long-term assets

In the Logistics business, the Nichirei Group owns many refrigerated warehouses, which are different from ordinary warehouses and require substantial capital investment. The recent expansion of highway networks and increased pace of consolidation in the food-delivery business have made such facilities in certain areas less important to shippers and thereby made it more difficult to secure cargo. In addition, a slump in warehousing demand as shippers reduce inventory levels could lead to increased price competition and a consequent deterioration in our earnings. In the Processed Foods business, Nichirei owns production facilities in a number of areas and has been improving productivity and product quality in response to a challenging operating environment stemming from a slump in sales, the obsolescence of plant and equipment, and demand for higher product quality. The consolidation of unprofitable facilities and the disposal of fixed assets, as part of

our efforts to use capital more efficiently in all our businesses, could have a significant impact on the Group's results.

#### (e) Securities price risk

We own securities issued by companies we do business with for strategic business purposes. We make changes to our securities holdings as needed, based on our business strategies, efforts to improve the quality of our assets, and other factors.

All of the investment securities as of the end of this fiscal year are classified as available-for-sale securities. Losses associated with write-downs for impairments in their value could be incurred and affect the Group's results as a result of fluctuations in the values of those securities with market prices because of trends in the economic environment and corporate earnings, and in the values of those securities without market prices because of changes in the financial condition of the issuer.

#### (f) Exchange-rate risks

Insofar as one of our primary businesses is the importation of food products and materials from outside Japan, we face exchange-rate risks in our business transactions denominated in foreign currencies. To minimize these risks, we hedge by using currency exchange forward contracts, coupon swaps, and other types of derivatives. Nevertheless, exchange-rate fluctuations could have a significant impact on the Group's results.

#### (g) Changes in laws and regulations

In carrying out its domestic operations, the Group is subject to the Food Sanitation Law, the Warehouse Business Law, and other laws and regulations. In addition, in carrying out its overseas operations, the Group is subject to the laws and regulations of those countries. If unexpected laws and regulations are newly enacted, the Group's financial results could be materially affected.

#### (h) Information system security

The Group has developed appropriate system management procedures, but the management of operations could be adversely affected if system problems arise. The Group takes comprehensive actions to defend against computer viruses and manage information, but if unforeseen virus attacks hinder the management of operations or unauthorized access by outsiders to confidential company data and personal information results in costs and/or a loss of public credibility, then the Group's financial results could be materially affected.