ANNUAL REPORT 2007

Year Ended March 31, 2007

Advance & Challenge

NICHIREI

Profile

Nichirei Corporation is a holding company that determines strategy for the entire Nichirei Group, one of Japan's leading corporate groups involved in food-related businesses. The Nichirei Group consists of Nichirei Corporation, 65 consolidated subsidiaries and 15 affiliates. Its principal businesses are processed foods, marine products, meat and poultry products, low-temperature logistics, and real estate.

The Nichirei Group's network is unique in the domestic food industry: It covers every step from procurement of raw materials to processing and distribution, and serves as the base from which we aim to maximize shareholder value through sustainable group growth and expanded profits, by continually creating new customer value with uncompromising insistence on good taste and freshness.

Diagram of Holding Company System

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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains, in addition to historical facts, forward-looking statements that are based on Nichirei's and its Group companies' current expectations, estimates and projections regarding plans, outlook, strategies and results for the future. 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 annual report. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements, from which actual results may differ significantly. 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, particularly levels of consumer spending, surrounding the business activities of Nichirei and its Group companies;
2) currency exchange rate fluctuations, particularly involving U.S. dollars and euro;
3) Nichirei's and its Group companies' ability to establish a comprehensive quality assurance system that encompasses product development, raw materials procurement, production and sales;
4) Nichirei's and its Group companies' ability to develop new products and services;
5) Nichirei's and its Group companies' ability to implement growth strategies and build a low-cost structure;
6) Nichirei's and its Group companies' ability to reduce interest-bearing obligations;
7) Nichirei's and its Group companies' ability to gain benefits through alliances with other companies;
8) effect of natural disasters; and
9) serious and unpredictable effects that may be caused by future events.

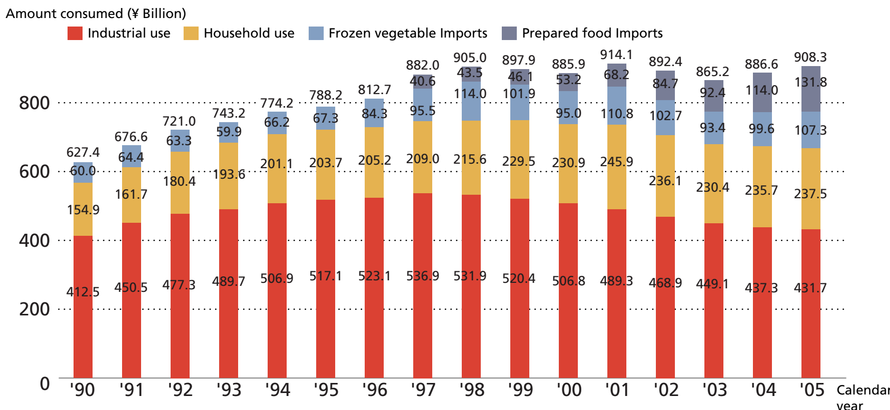
Nichirei's Market Position

Frozen Foods Business

The market for frozen foods is continuing to grow, backed by such trends as more women working outside the home, changes in how people relate to food, and improvements to distribution infrastructure. Demand for frozen foods for household use is still growing, although the rate of growth is slowing. However, because supermarkets often use these products as loss leaders to attract customers to sales, it has become common to find them offered at 40-50% discounts. Overall, growth in demand for frozen foods for industrial use is beginning to come to a halt. With the market for frozen foods expanding, many major food companies have entered this market, and the industry is being actively reorganized, primarily through acquisitions.

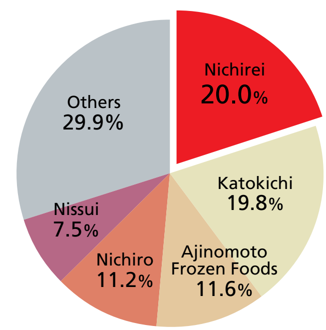
Nichirei held the largest share of the market among Japanese frozen food manufacturers in 2005.

Trends in Japanese Frozen Foods Markets



Source: Compiled by Nichirei based on data from the Japan Frozen Food Association (JFFA)

Market Shares in Japanese Frozen Food Market in 2005



Source: Nihon Keizai Shimbun

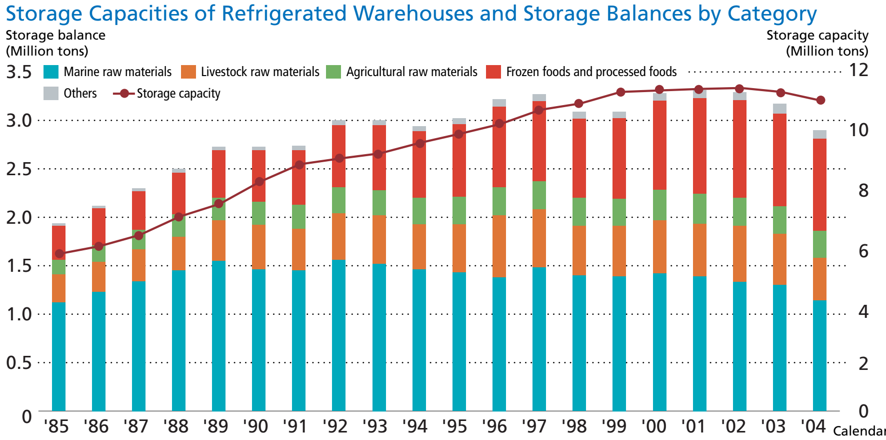
Refrigerated Storage Business

Refrigerated storage capacity in Japan has increased greatly due to expansion in food imports. However, since 1995 the business environment surrounding refrigerated storage has changed greatly due to two factors. One is the fact that although depreciation of the yen put a damper on food imports, capital investment in refrigerated warehouses continued until 2000, resulting in a gap between supply and demand. The other is that greater supply-chain efficiency and other structural changes have caused storage customers to reduce inventories.

Because of various measures that Nichirei took, including strengthening our sales capacity by making each region function as a separately operated company, our business performance recovered very quickly.

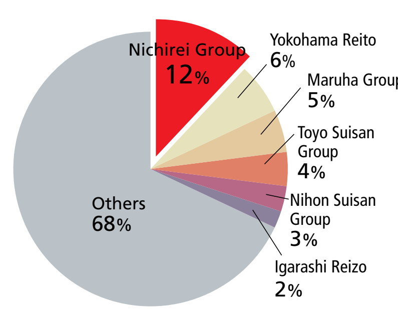
Nichirei had the largest share by far of refrigerated storage capacity in Japan in 2006.

Storage Capacities of Refrigerated Warehouses and Storage Balances by Category



Source: Compiled by Nichirei based on data from the Japan Association of Refrigerated Warehouses (JARW)

Storage Capacity Shares in Japanese Refrigerated Warehouse Industry



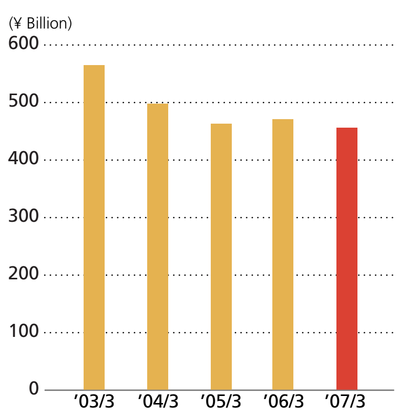
Compiled by Nichirei based on data from JARW as of April 1, 2007

Financial Highlights

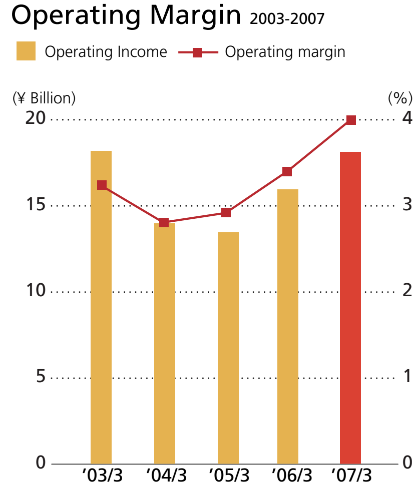
Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31

	1998	1999	2000	2001
Income Statement Data (¥ Million)				
Net sales	¥ 594,469	¥ 571,775	¥ 569,482	¥ 560,006
Gross profit	95,850	94,082	103,840	103,884
Operating income	6,214	8,046	16,973	18,596
Income (loss) before income taxes and minority interests	(3,414)	2,406	7,979	6,503
Net income (loss)	(5,172)	233	4,326	4,020
Balance Sheet Data (¥ Million)				
Total assets	¥ 393,032	¥ 365,838	¥ 370,623	¥ 367,770
Interest-bearing debt	217,322	195,994	194,840	172,704
Long-term liabilities	137,078	130,157	143,392	120,043
Total liabilities	306,342	284,777	287,008	277,229
Shareholders' equity*5	86,689	80,567	82,624	89,395
Other Selected Data (¥ Million)				
Capital expenditures	¥ 12,158	¥ 11,103	¥ 31,310	¥ 11,672
R&D expenditures	2,530	2,554	2,339	2,238
Depreciation and amortization expenses	15,357	15,572	16,547	14,003
Per Share Data (¥)				
Net income – basic	¥ (16.63)	¥ 0.74	¥ 13.91	¥ 12.93
Cash dividends	6	6	6	6
Shareholders' equity*5	278.88	259.18	265.80	287.58
Financial Ratios (%, Times)				
As a percent of net sales:				
Gross profit	16.12%	16.45%	18.23%	18.55%
Operating income	1.05	1.41	2.98	3.32
Net income (loss)	(0.87)	0.04	0.76	0.72
Return on equity (ROE)	(5.7)	0.3	5.3	4.7
Current ratio	1.00	1.00	1.06	0.83
Debt-to-equity	2.51	2.43	2.36	1.93

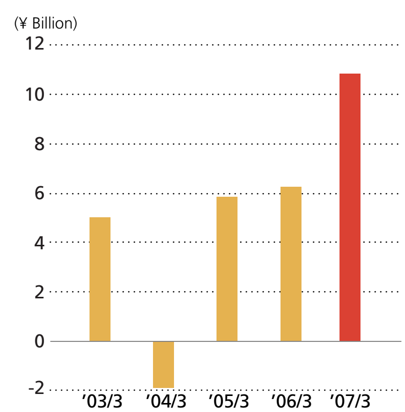
Net Sales 2003-2007



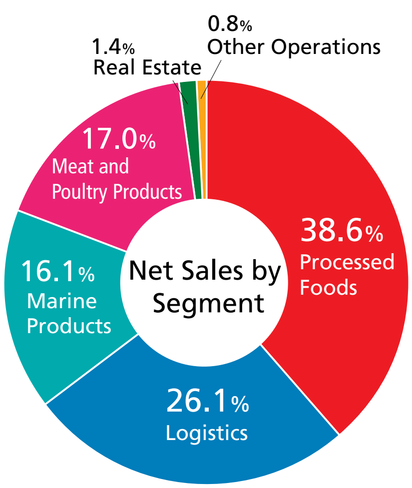
Operating Income & Operating Margin 2003-2007



Net Income 2003-2007



2002	2003	2004	2005	2006	**2007**	Percent change 2006/2007	**2007**
							Thousands of U.S. dollars
¥ 558,191	¥ 563,440	¥ 496,611	¥ 461,426	¥ 469,411	**¥ 457,655**	**(2.5)%**	**$ 3,875,476**
99,482	102,121	95,510	88,836	91,577	**88,799**	**(3.0)**	**751,960**
14,016	18,275	13,976	13,482	16,014	**18,148**	**13.3**	**153,685**
5,235	9,377	(3,817)	10,830	13,138	**19,200**	**46.1**	**162,588**
4,062	5,216	(1,891)	5,878	6,293	**10,845**	**72.3**	**91,837**
							Thousands of U.S. dollars
¥ 353,385	¥ 330,703	¥ 284,700	¥ 276,417	¥ 268,501	**¥ 269,166**	**0.25%**	**$ 2,279,330**
167,439	145,394	124,388	111,984	86,209	**72,971**	**(15.4)**	**617,927**
100,062	119,515	92,055	88,399	82,181	**69,805**	**(15.1)**	**591,117**
264,728	238,925	194,010	181,779	165,246	**156,094**	**(5.5)**	**1,321,824**
87,649	90,666	90,176	94,007	102,624	**111,035**	**10.2**	**957,505**
							Thousands of U.S. dollars
¥ 10,282	¥ 9,537	¥ 6,848	¥ 6,397	¥ 7,496	**¥ 9,751**	**30.1%**	**$ 82,575**
2,294	2,279	2,090	2,075	2,042	**2,034**	**(0.4)**	**17,224**
13,570	12,767	11,904	11,139	10,775	**9,529**	**(11.6)**	**80,699**
							U.S. dollars
¥ 13.06	¥ 16.16	¥ (6.28)	¥ 18.45	¥ 19.83	**¥ 34.97**	**76.3%**	**$ 0.296**
6	6	6	6	9	**8**	**(11.1)**	**0.067**
282.00	291.46	290.38	302.50	330.40	**358.08**	**8.4**	**3.032**
17.82%	18.12%	19.23%	19.25%	19.51%	**19.40%**	–	–
2.51	3.24	2.81	2.92	3.41	**3.97**	–	–
0.73	0.93	(0.38)	1.27	1.34	**2.37**	–	–
4.6	5.9	(2.1)	6.4	6.4	**10.1**	–	–
0.78	0.98	1.06	1.17	1.30	**1.25**	–	–
1.91	1.60	1.38	1.19	0.84	**0.66**	–	–



Note: For each segment, the percentage of sales figures are for outside customers, whereas the net sales figures include intercompany sales and transfers.

Highlights of Financial Results from the Year Ended March 2007

■Net sales

Net sales declined 2.5% from the previous term to 457,655 million yen, primarily due to reduced revenues from frozen foods for household use.

■Operating income

Operating income rose 13.3% to 18,148 million yen. It was the first time in the last 10 years that operating income rose more than 4% year on year. The increase was primarily the result of streamlining costs, including a 2 billion yen reduction in sales promotion expenses of frozen foods for household use.

■Net income

Net income surged 72.3% to a record high of 10,845 million yen, primarily thanks to reductions in impairment loss and in losses on the sale of fixed assets.

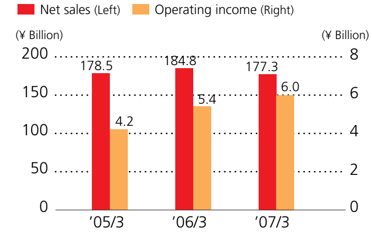
Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥118.09=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2007.
2. For the year ended March 31, 2007, four subsidiaries were included and three were excluded from consolidation, resulting in a total of 65 consolidated subsidiaries. In addition, an affiliate was newly accounted for while two affiliates ceased to be accounted for by the equity method, for a total of 15 equity-method affiliates.
3. On Oct. 1, 2003, Yukiwa Co., Ltd. merged with Ryoshoku Food Service Limited, a subsidiary of Ryoshoku Limited, to form RY Food Service Limited. As of the date of the merger, the former Yukiwa was no longer treated as a consolidated subsidiary, but was reclassified as an equity-method affiliate. Yukiwa's exclusion from the consolidated accounting had a negative impact on this term's consolidated sales and operating income relative to the previous term. The negative effect for the year ended March 2004 was 52.8 billion yen in sales and 700 million yen in operating income. For the fiscal year ended March 2005, the negative impact was 53.5 billion yen in sales and 200 million yen in operating income.
4. Prior to the year ended March 31, 1999, total liabilities include minority interests.
5. Shareholders' equity for the years ended March 31, 2006 and 2007 = net assets - minority interests.

Nichirei at a Glance

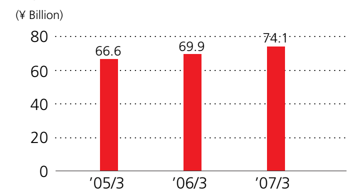
Processed Foods (Nichirei Foods Inc.)

Processed Foods is one of Nichirei's core operations. It includes frozen foods, an industry Nichirei leads in Japan, acerola-based beverages, retort-pouch foods, canned foods and health foods. Nichirei has established a comprehensive quality-assurance system that covers everything from product development and raw materials procurement to production and sales.

Net Sales and Operating Income (2005–2007)



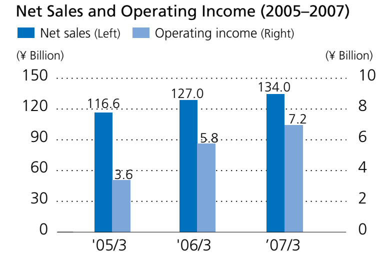
Segment Assets (2005–2007)



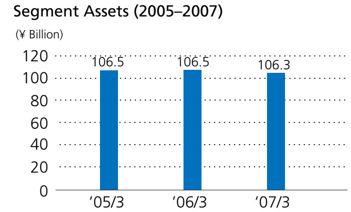
Logistics (Nichirei Logistics Group Inc.)

Logistics is Nichirei's other core operation. In addition to providing a wide range of logistics functions such as refrigerated warehousing, sorting, transportation and delivery, Nichirei combines those functions to offer solutions for optimizing customers' overall logistics flow. With market share that ranks No. 1 in Japan and No. 4 worldwide, Nichirei has secured a solid position in the refrigerated warehousing business.

Net Sales and Operating Income (2005–2007)



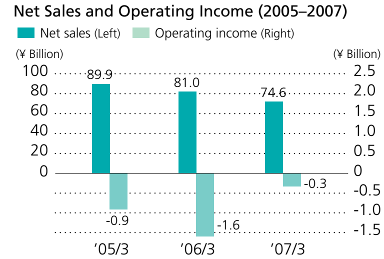
Segment Assets (2005–2007)



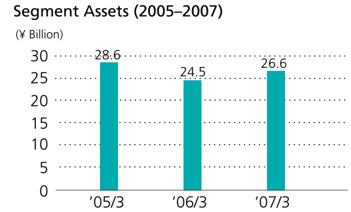
Marine Products (Nichirei Fresh Inc.)

In Marine Products, Nichirei imports and sells seafood procured from around the world. Net sales compare with those of Japan's leading marine products companies, with Nichirei being especially strong in the handling of several items such as shrimp, herring roe and octopus. Nichirei is enhancing its line of value-added products that meet customer needs, as well as handling more premium products.

Net Sales and Operating Income (2005–2007)



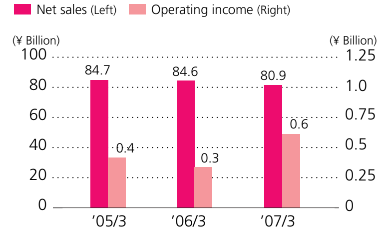
Segment Assets (2005–2007)



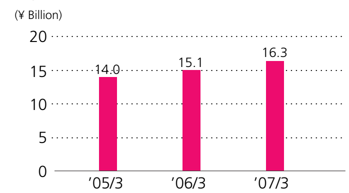
Meat and Poultry Products (Nichirei Fresh Inc.)

In Meat and Poultry Products, Nichirei provides large retailers and restaurants with poultry, pork and beef procured from established partners in Japan and overseas. Nichirei is committed to delivering products that are delicious, safe, reliable, healthful and environmentally friendly.

Net Sales and Operating Income (2005–2007)



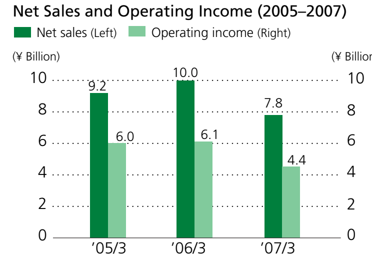
Segment Assets (2005–2007)



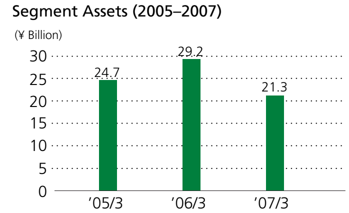
Real Estate (Nichirei Corporation)

The purpose of Nichirei's real estate operations is to make effective use of company-owned properties. Nichirei plans and executes projects that best suit the location, surroundings and social circumstances of company-owned properties all around Japan. Currently, we develop and lease office buildings in large cities, as well as develop and sell residential housing.

Net Sales and Operating Income (2005–2007)



Segment Assets (2005–2007)

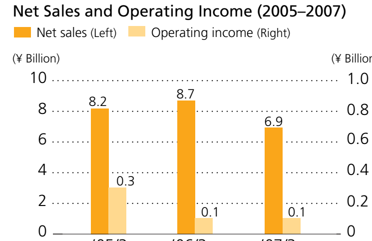


Other Operations

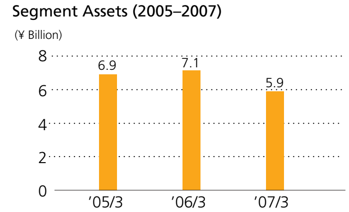
(Nichirei Corporation, Nichirei Biosciences Inc., Nichirei Proserve Inc.)

Nichirei continues to nurture its bioscience operations. The company develops, manufactures and sells antibody products, cell-culture reagents and raw materials for cosmetic products, based on Nichirei's immunology-related technology and natural materials processing technology. Meanwhile, Nichirei Proserve provides Nichirei Group companies back-offices operations-related solution services, which include more than mere cost-reductions.

Net Sales and Operating Income (2005–2007)



Segment Assets (2005–2007)



Snapshot

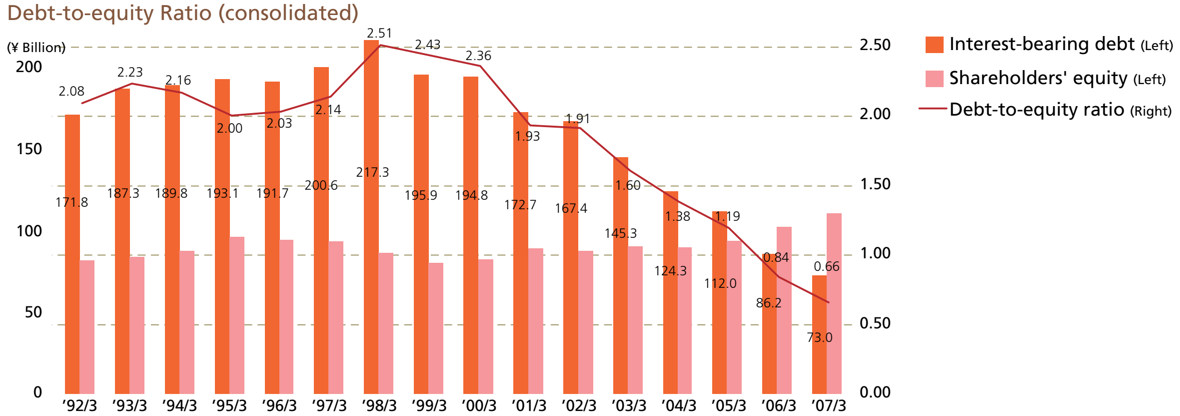
Achievements of Our Previous Medium-Term Plan (April 2004 to March 2007)

Improved Financial Characteristics and Return on Equity

Completed balance sheet reform through major reduction of interest-bearing debt

Our interest-bearing debt declined by ¥51.417 billion over the past three years, to settle at ¥72.9 billion, far surpassing our initial goal of settling at ¥97 billion. Compared to the peak reached in the fiscal year ended March 1998, we reduced interest-bearing debt by a total of ¥144.351 billion. During this period, our debt-to-equity ratio improved dramatically, from 2.51 to 0.66. This completes the balance sheet reform that was the primary goal of our previous medium-term plan.

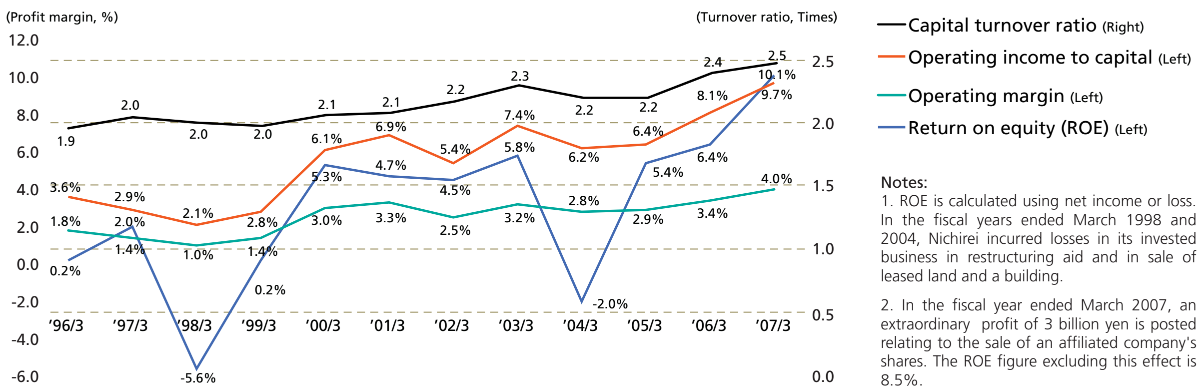
Debt-to-equity Ratio (consolidated)



Steadily improved profitability by concentrating management resources

We identified two core operations, Processed Foods and Logistics, in which we concentrated our management resources. We boosted efficiency and cut costs from a variety of angles, as we aimed to improve capital efficiency. Our success is evident from a variety of indicators that point to great improvement in profitability.

Financial Ratios



Notes:
1. ROE is calculated using net income or loss. In the fiscal years ended March 1998 and 2004, Nichirei incurred losses in its invested business in restructuring aid and in sale of leased land and a building.
2. In the fiscal year ended March 2007, an extraordinary profit of 3 billion yen is posted relating to the sale of an affiliated company's shares. The ROE figure excluding this effect is 8.5%.

Reformed management by adopting holding company system

In the fiscal year ended March 2006, we adopted a holding company system in order to improve each operating unit's speed and flexibility in making and implementing decisions. As a result, we transferred a good deal of authority to operating companies and clarified responsibility for business performance. At the same time, we strengthened the planning and monitoring functions of the holding company, and maintained the cohesiveness of our Group by publicly announcing our brand statement.

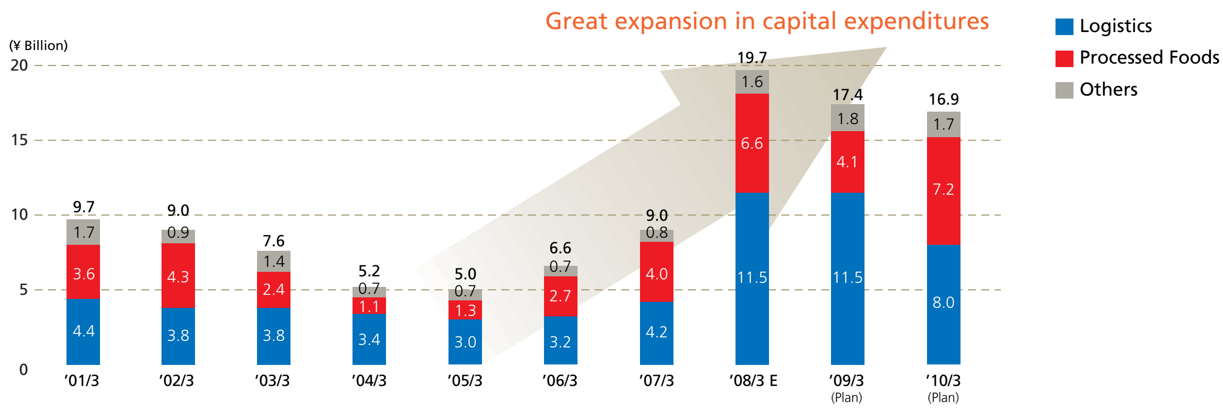
Our New Medium-Term Business Plan (April 2007 to March 2010)

"Advance & Challenge": Strategically Expanding Our Profit Base

Greatly expand capital investment to achieve long-term growth in core businesses

In the past years, we have been using most of our operating cash flow for reducing interest-bearing debt, but now we will aggressively invest those funds in order to achieve long-term growth in our core businesses. Out of an anticipated ¥66.7 billion in operating cash flow over the next three years, we plan to allot ¥54.0 billion for capital investment, with ¥48.9 billion of that going into our two core businesses.

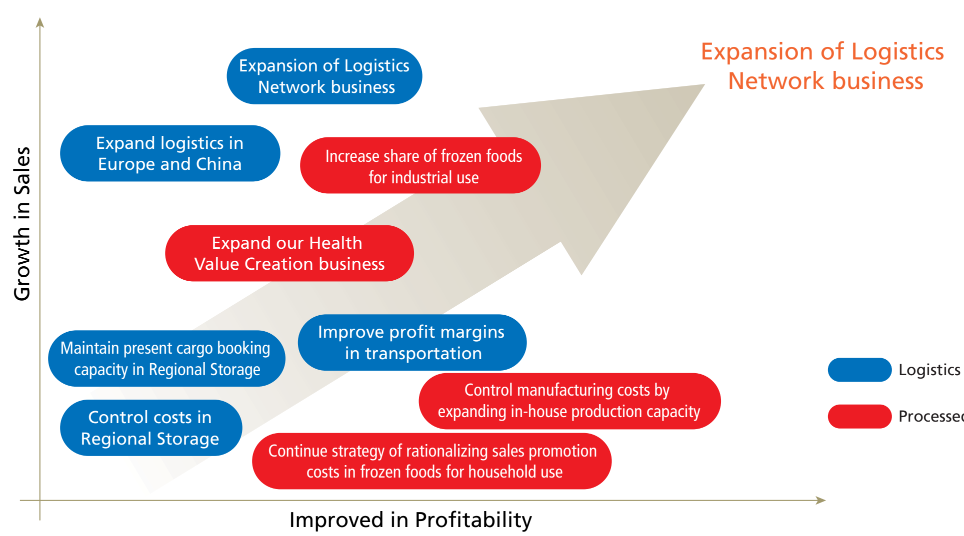
Capital Expenditures



Top priorities: Boost Processed Foods profit ratio, increase Logistics net sales

Our goals for Processed Foods (Nichirei Foods Inc.) are 1) reduce production costs by boosting in-house production to cover expanded sales of frozen foods for commercial use, and 2) raise the operating margin to 4.8% over three years, from 3.4% as of March 2007, by expanding sales in the highly profitable "Health Value" sector. In Logistics (Nichirei Logistics Group Inc.), we aim to increase net sales by 19% over the March 2007 level, primarily by achieving 10% annual growth in our solutions-based Logistics Network business.

New Medium-Term Plan Strategy Map



Mitsudo Urano
Representative Director
and Chairman

To Our Shareholders

Toshiaki Murai
Representative Director
and President

Advance & Challenge

In the year ended March 2007, Nichirei's operating income rose 2.1 billion yen (13.3%) over the previous term and net income rose 4.5 billion yen (72.3%), resulting in record-high net income.

Although we are happy with this success, we view it as nothing more than a transitional point. As we illustrated on the previous page, this fiscal term we completely finished with the financial reconstruction that had been our top priority since the year ended March 1998, and we are once again able to invest our cash flow in growth. From now on, we will be steering the Company on a much different, aggressive course based on "Advance & Challenge" management.

As we have said in the past, we feel certain that Nichirei's core businesses – Processed Foods and Logistics – are growing markets. While Japan's population is declining, its birth rate is falling and the average age is rising, new social trends such as more women working outside the home, more people living alone, and growing concern with health maintenance are having a major impact on people's eating habits, including structural changes whereby people are tending to eat more foods prepared outside the home. This trend will likely accelerate in the future, presenting food industries with opportunities to achieve strong growth. Meanwhile, on the low-temperature logistics front, there is continued strong demand for distribution reforms aimed at boosting supply-chain efficiency, which is likely to further expand opportunities for us to provide logistics solutions. We aim to focus on these changes and achieve growth by making the most of the various capabilities that Nichirei has cultivated over the years. These include our Processed Foods business's technology for assuring precise control of ingredients and calories, our ability to develop products that provide new types of good taste, safe and efficient food distribution capabilities, the food materials purchasing capacity of our Marine Products and Meat and Poultry Products businesses, and our strength in networking.

In this second year of operating under our holding company system, we saw positive results from the transference of authority to operating companies and from clarification of the responsibilities of each corporate sector. We anticipate major changes in our business environment and we believe that we have established a structure that will allow us to make quick decisions and respond nimbly to those changes. Under this system, Nichirei will strive to increase shareholder value by building our corporate value. We will also continue to do our best to fulfill our social responsibilities, to remain a company that is trusted by the public, and to achieve sustainable growth as we provide society with new value.

M. Urano

Mitsudo Urano
Representative Director and Chairman

Toshiaki Murai

Toshiaki Murai
Representative Director and President

Conversation with the Chairman and the President

Overview of the Previous Medium-Term Plan (April 2004 – March 2007)

Q Please explain the results of the previous Medium-Term Plan, and how you assess those results.

Mitsudo Urano, Chairman (former President)

We've been completely reborn, with a constitution that allows us to invest aggressively.

The biggest achievement of our previous Medium-Term Plan was definitely the completion of Nichirei's financial reconstruction. This means that from now on we can allocate our cash flow for active investment in growth, rather than using it to pay off interest-bearing debt as we had been doing. This is extremely important for Nichirei's future. For the past six years, for the duration of the previous two three-year Medium-Term Plans, our central aim was financial reconstruction, even as we pursued growth. In our quest to improve our balance sheet, capital efficiency, and the rest of our financial picture, we took strong action to implement various financial and management reforms. Now that we finished all these reforms and prepared the ground, I think we have completely moved on to the next phase.

For example, our debt-to-equity ratio was 1.91 at the end of March 2002, and 1.38 at the beginning of the previous Medium-Term Plan, but improved to 0.66 at the end of the fiscal year through March 2007, so that we now have a lean balance sheet. Our management reforms included shifting to a holding company system, which transferred a good deal of executive authority to our operating companies, clarified who is responsible for what, and established processes that allow quick decision-making. Furthermore, we took a new look at Nichirei's business domains. Because we reconfirmed Processed Foods and Logistics as Nichirei's core businesses and concentrated management resources there, our capital efficiency improved greatly, as shown by the fact that return on invested capital (ROIC) improved from 6.2% at the start of the previous Medium-Term Plan to 9.7% as of March 2007.

(In billions of yen unless otherwise specified)

	Mar. 2006	Mar. 2007 (Original targets)	Mar. 2007 (Revised targets)	Mar. 2007 (Actual)
Net sales	¥ 469.4	¥ 537.0	¥ 479.0	¥ 457.6
Processed Foods	184.8	195.0	191.3	177.3
Marine Products	81.0	115.5	76.8	74.6
Meat and Poultry Products	84.6	86.6	86.5	80.9
Logistics	127.0	148.0	134.8	134.0
Operating income	16.0	20.3	18.1	18.1
Processed Foods	5.4	7.1	7.2	6.0
Marine Products	(1.6)	1.1	(0.5)	(0.3)
Meat and Poultry Products	0.3	0.6	0.8	0.6
Logistics	5.8	7.3	6.5	7.2
Net income	6.2	10.7	9.3	10.8
Net income per share (yen)	19.83	34.47	29.98	34.97
Interest-bearing debt	86.2	Less than 97.0	Less than 80.0	72.9

Q Please tell us about the achievements and challenges of each of Nichirei's businesses.

I think we achieved some success in terms of building the competitiveness of each of our businesses. For example, in Processed Foods, we established the kind of product lineup that only Nichirei can, based on our capacity for product development and our technical strength. We also increased sales of products for industrial use by steadfastly pushing our strongest items in markets where we needed to be aggressive. In Logistics, our profits bounded back sharply due to greater sales by our Logistics Network Business, and due to better performance by our Regional Storage Business,

where profits increased thanks to better local service and implementation of thorough cost-cutting measures. As a result of various successful reforms, our operating margin rose, and the gap between our operating income target and actual results was not large compared to the gap between target and actual net sales.

On the other hand, the fact that we fell short of our numerical targets is a problem yet to be resolved.

In Processed Foods, in trying to find a solution to the persistent problem of discounted sales of frozen foods for household use, we reviewed the portion of sales promotion expenses that we had been using to cover discount sales and greatly improved our profit margin, but net sales declined sharply. In Logistics, we are still struggling to achieve sufficient profitability in our Logistics Network Business. Profit margins on transportation were low, and some of our transfer centers ended with operating losses. Marine Products continued to generate an operating loss due to structural problems. We are implementing the revitalization plan that we announced in March 2006, because Marine Products is an important business that contributes synergistic benefits to our other businesses by providing raw materials to the food service industry. Our new Medium-Term Plan contains measures for solving these problems.

Outline of New Medium-Term Plan (April 2007 – March 2010)

Q What are the goals and targets of the new Medium-Term Plan?

Numerical Targets for the Final Year of Our New Medium-Term Plan

(In billions of yen unless otherwise specified)

	Mar. 2007 (Actual)	Mar. 2010 (Target)
Net sales	¥ 457.6	¥ 533.1
Processed Foods	177.3	200.0
Marine Products	74.6	90.0
Meat and Poultry Products	80.9	100.0
Logistics	134.0	159.0
Operating income	18.1	22.6
Processed Foods	6.0	9.7
Marine Products	(0.3)	0.6
Meat and Poultry Products	0.6	0.9
Logistics	7.2	7.8
Net income	10.8	11.4
Net income per share	34.97	36.76
Capital turnover ratio (times)	2.5	2.6
Operating income to capital (%)	9.7	11.1
Operating margin (%)	4.0	4.2
Return on Equity [ROE] (%)	10.1	8.8

Note: March 2007 actual net income includes extraordinary income of 3 billion yen from sales of shares in an affiliated company. If this amount is excluded, ROE would be 8.5%.

Expand revenue base through aggressive investment aimed at medium and long-term growth

Toshiaki Murai, President

What makes our new Medium-Term Plan completely different from the previous one is that the goal has shifted from "reform" to "growth." Now we will expand our revenue base by giving priority to investments aimed at medium and long-term growth. In the next section of this report, the head of each operating company, who is responsible for its profitability, will explain in detail his company's strategies and policies. So I will just touch on the main points here. In Processed Foods, which is one of our core businesses, we aim to raise the operating margin from 3.4% at the end of March 2007 to 4.8% in the final year of the new Medium-Term Plan by further improving production profits, and by pushing for growth in the health value business. In our other core business, Logistics, we intend to realize sales growth centered around 10% annual expansion in sales by our Logistics Network Business, which is a growth field. Our goal for Marine Products is to steadily implement our revitalization plan and return this business to profitability. The table on the left shows our numerical targets for the final year of our new Medium-Term Plan.

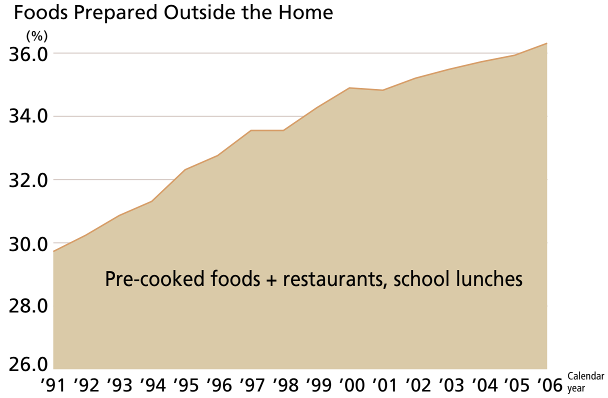
Q How can Nichirei achieve sustainable growth when the population of Japan is declining and your business domain is the domestic food-related market?

The structural changes in eating habits and increasing demands for outsourcing distribution provides business opportunities.

First of all, we are aware that changes in the structure of eating habits are part of our business environment. As Japanese lifestyles change, the trend toward eating more foods prepared outside the home will continue, and we believe that the purchase of restaurant meals, take-out meals, ready-to-serve foods, frozen foods, and other prepared foods will account for an even larger part of household food budgets. Furthermore, there is increasing demand for prepared foods for industrial use by supermarkets and restaurant chains that provide such foods but suffer from a chronic shortage of skilled cooking labor and the strain of long operating hours. In addition, consumers will probably become increasingly health-conscious as the average age rises and the government takes measures to reduce medical care costs. The markets that will grow as a result of these changes are areas in which Nichirei can take advantage of our strengths in food preparation and processing technologies. We feel sure that these changes will present Nichirei with business opportunities.

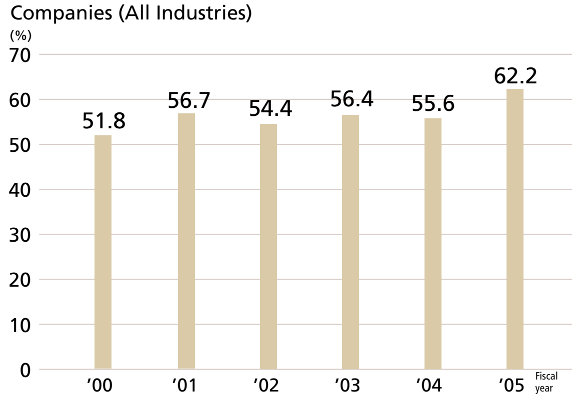
Meanwhile, in the food distribution field, there is continued strong demand related to distribution reforms aimed at boosting supply-chain efficiency, and for outsourcing of distribution services to logistics specialists. There are even more business opportunities available to Nichirei because of our track record with shared logistics, which reduces resource consumption and conserves the environment, and comprehensive management of distribution centers.

Percentage of Food Budget per Household Spent on Foods Prepared Outside the Home



Source: Created based on Family Income and Expenditure Survey, Ministry of Internal Affairs and Communications, Statistics Bureau.(Ready-to-eat foods + restaurant meals and school lunches) ÷ (Spending on food, excluding sweets, beverages and alcohol)

Percentage of Logistics Costs Paid to Outside Logistics Companies (All Industries)



Source: Survey of Logistics Costs in Fiscal 2005, Japan Institute of Logistics Systems

Q What are your detailed plans for investing in medium- and long-term growth?

The key lies in aggressive investment in our two core businesses.

As I said earlier, Nichirei's core businesses – Processed Foods and Logistics – are both growth fields, and they will be the engines that drive our medium- and long-term growth. That's why we plan to invest most of the 66.7 billion yen in operating cash flow that we anticipate earning during the three-year period of our new Plan into these two businesses, in order to establish a foundation for growth. Our new Medium-Term Plan calls for investing 54.0 billion yen in plant and equipment over three years, and 48.9 billion of that is earmarked for our two core businesses.

We plan to invest 17.9 billion yen in plant and equipment for Processed Foods over three years.

Most of the funds will go for production equipment, primarily for prepared frozen foods for industrial use and for the health value sector, which is expected to grow rapidly. We will raise our operating margin by increasing the in-house production ratio for high added-value products, in order to increase production profits.

For Logistics, we plan to invest 31.0 billion yen in capital equipment over three years, primarily for new bases for our Logistics Network Business, which is a growing field, and in new or expanded refrigerated warehouses for our Regional Storage Business. One reason we decided to resume large-scale capital investment in the Regional Storage Business despite the fact that it is a mature business field, is that after restraining capital investment in favor of financial reconstruction since March 2000, we found that many of our refrigerated warehouses had become obsolete whether due to physical aging or location, and we believe that by enhancing these bases we can expect synergistic effects with our Logistics Network Business. Another reason for resuming investment is our view, based on medium- and long-term trends in the refrigerated storage business, that we must start updating our equipment now if we are to survive in this industry.

In addition, although it is not reflected in our numerical targets, we also intend to expeditiously implement M&As, alliances, etc. in order to strengthen the transportation functions that are important to the construction of shared logistics systems in our Logistics Network Business.

Shareholder Value and Returns to Shareholders

Q What are your thoughts regarding shareholder value and returns to shareholders?

We aim for a DOE of 2.5% in the medium- to long-term, and a consolidated payout ratio of 25%.

We would like to increase shareholder value by increasing Nichirei's corporate value. We intend to achieve this by maximizing cash flow, by reducing financing costs through appropriate capital policies, and by concentrating investment in highly profitable businesses while remaining constantly aware of capital efficiency. Although it may be a bit out of reach within the term of the new Medium-Term Plan, we specified a medium-term goal of raising ROE to 10%. We don't intend to reduce interest-bearing debt further, but rather to strive to maintain appropriately balanced levels of shareholders’ equity and debt, so that we can efficiently and stably procure the funds that we need for running our businesses. For example, we plan to invest in plant and equipment, but without spending more than the cash flow that we generate. Regarding the specific level of shareholders’ equity that this refers to, we will determine that while considering such factors as capital efficiency, maintaining enough capital to balance business risks, and maintaining a credit rating that is high enough to allow us to conduct our business.

Regarding returns to shareholders, at the present time we are only planning to give cash dividends, in order to step up investment that will lead to high profitability and growth, so that in the medium and long term we can benefit shareholders by building corporate value. Because our financial situation has stabilized to the point that there is very little asset appraisal loss remaining, we are now able to pay cash dividends that are proportionate to our operating income. We are aware that we need to consider the proportion of dividends to shareholders’ equity, so we will also consider the dividends on equity ratio (DOE). With these considerations in mind, we want to give priority to paying stable dividends, but at the same time we want to consider other factors such as consolidated performance, the business environment, and Nichirei's funding needs. Based on all of these considerations, our medium- to long-term goal for returns to shareholders is a DOE of 2.5% and a consolidated payout ratio of 25%.

Growth Strategies for Core Operations

Processed Foods

Nichirei Foods Inc.
Yoshihiko Soma, President

We are aiming for an operating margin of 4.8%, which is very high for the domestic food processing industry, by focusing on diversifying lifestyles and a changing family structure.

Targets and Basic Strategies per Our New Medium-Term Plan

We recognize that diversification of lifestyles and changing family structures present important business opportunities, as these changes will lead to greater demand for processed foods and food-related solutions. We intend to strengthen all our business functions as a food manufacturer, from procurement and production to sales, and aim for an operating margin of 4.8%.

The growing field of health value foods (wellness foods and acerola)

- In addition to using Nichirei's technology to provide processed foods that contain controlled amounts of certain ingredients or calories, we will tie up with outside partners in health-related fields like exercise or medical care and develop a business that provides solutions for preventing lifestyle-related diseases.
- We will increase revenues from acerola by expanding our raw materials business to overseas markets as well.

"Kikubari-Gozen" frozen meals, a concrete example of "health value"

Core processed food sectors: Prepared frozen foods, room-temperature foods, agricultural products

- Radical revision of our profit structure by further selecting and concentrating categories
  - In addition to focusing on six main items for household use and six main categories for industrial use that we will firmly establish as top brands, we will lower costs by raising our in-house production ratio to 74%
  - Increase profits by raising the proportion of in-house production and reviewing relationships with outside producers
- Change the starting premise of product development – make effectiveness the focus
  - Make a flexible development system for each product in order to actualize ideas and concepts that underlie development as effectively as possible
  - Put more energy into local specialty products for household use, developing private brand, industrial-use products for major home meal replacement providers, and projects for restaurants, institutional meal services, and wholesale dealers

"Obento-ni-Good Series" is free of artificial colors, preservatives and chemical seasonings.

Global expansion

- Expand worldwide as a manufacturer of ready-to-eat foods that match each country's food culture
  - Use Nichirei's technological strength to develop products that can deliver the exact flavors that people want within different food cultures

Market and Industry Trends

In the frozen food market, the cost of products and procurement prices for raw materials rose due to the yen's depreciation and higher crude oil prices. Overall sales of industrial-use products by the restaurant industry were higher than the previous year, but unit prices for household-use products continued to flounder as it has become the norm that retailers sell them at discounted prices.

- Consumers spent 1.9% more on household-use prepared frozen foods compared to the previous year.
- The restaurant market (including providers of takeout meals and ready-to-eat side dishes) grew by 0.2% over the previous year.
- Beef imports from the U.S. resumed, but the amount imported was not enough to affect raw material prices.

Major Policies for the Year through March 2008

Strengthen product development in core businesses as our top priority

We believe that our ability to develop products in our core business of frozen foods is the key to our future growth. Based on this awareness, we intend to increase our product development capacity in the fiscal year through March 2008. Specifically, we will fine-tune our systems so as to allow management to actively participate during new product development or existing product improvement, in order to strengthen communication between management and the product development division. Also, by further promoting communication between development divisions, factories, and the head office marketing division, we intend to develop products that meet an even broader array of needs, both from the standpoint of satisfying customers and relative to our marketing methods.

Successful example of product development, "Honkaku-itame Cha-han (Authentic Fried Rice)"

Position health value as a growing field; aim for high profitability

Acerola products are one of the mainstays of our health value business, and we intend to further strengthen our brand strategy with a focus on the positive effects of natural vitamin C and polyphenols. In addition, we will fortify our global market development and supply systems for acerola and Brazilian fruits, primarily through Niagro-Nichirei do Brasil Agrícola Ltda. Another mainstay of our health value business is wellness foods. We will solidify the product base of our B to C e-commerce business, Nichirei Foods Direct, and expand the number of customers. We will also work on expanding sales channels, with a focus on health-related business aimed at corporate health insurance associations, and joint ventures with trading companies using hospitals or other medical-related sales channels, based on the idea that a proper diet can prevent health problems.

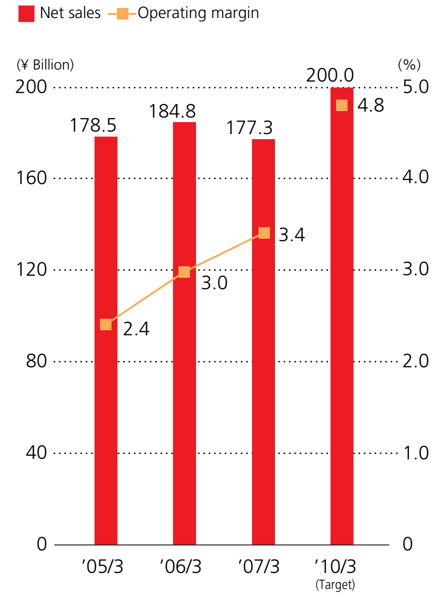
Acerola Products

Website of "Nichirei Foods Direct"

Strengthen our overseas sales network, primarily within East Asia

Nichirei currently has bases in Beijing, Shanghai, Bangkok, Sydney, Seattle and São Paulo. This fiscal year, we will increase staffing at these bases and enhance our overseas sales network in other ways as well, in order to strengthen our capacity for selling overseas. Especially in China, there is growing demand for restaurant meals and industrial meal services, and we will enhance our sales network for handling industrial-use products aimed at these markets. Because Nichirei already operates a factory in China, where we produce a large number of items, we aim to expand our own market within the Chinese market, which is expected to grow rapidly. We will also consider establishing a local subsidiary, capital alliances, or M&As as we expand our business.

Net Sales and Operating margin of Processed Foods



Focus efforts on further strengthening basic business functions by improving interdivisional ties

We intend to improve communication between the development, production, sales, distribution, and management functions of our organization to coordinate them more closely than ever. To date, Nichirei has not had a systematic way of exchanging personnel between sales, production and distribution units. However, by creating a system of exchanging personnel of all levels, from new hires to top management, we will improve communication between divisions. In this way, we will improve operations both in terms of economic streamlining and creating new value, in order to further our goal of delivering good taste, safety and reliability, pleasure, good health, ease-of-use, stable supply, and appropriate pricing.

Performance Highlights of the Year through March 2007

- Despite increased sales of industrial-use processed chicken products, household-use croquettes and wellness foods, sales declined in some other categories including household-use rice dishes, Chinese ready-to-serve dishes, prepared marine products and acerola, resulting in an overall decline in net sales relative to the previous year.
- Operating income increased despite the decline in net sales and despite an increase in advertising expenses due to the introduction of television commercials, thanks to more effective use of sales promotion expenses and reductions in distribution expenses and fixed costs resulting from reorganization of production bases.

Growth Strategies for Core Operations

Logistics

Nichirei Logistics Group Inc.
Toshiaki Murai, President

We aim to be Japan's number one food distributor.

Targets and Basic Strategies per Our New Medium-Term Plan

We foresee growth in this business sector, which demands the ability to provide comprehensive logistics solutions. We aim to further improve capital efficiency and to establish Nichirei as Japan's number one food distribution service, primarily by improving distribution functions in our Logistics Network Business, and by tailoring sales to local areas and further reducing operating costs in our Regional Storage Business.

Logistics Network Business: Aim for growth in both sales and profits

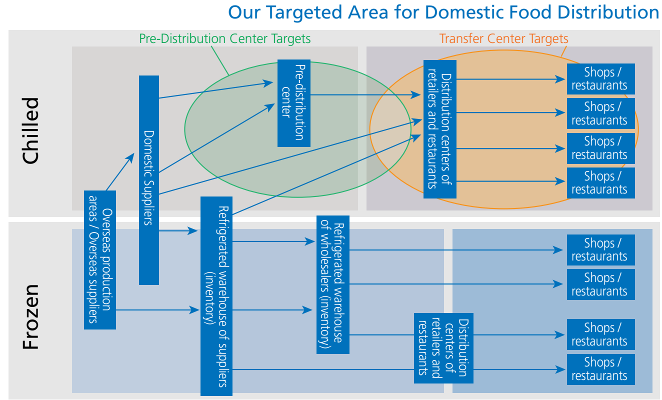
- Reduce costs by boosting transportation vehicle utilization rates
- Expand transportation business primarily through shared logistics with manufacturers
- Expand business to new customers and new business fields, such as buying cooperatives and fresh produce distribution
- Pursue strategic M&As in order to boost sales

Shared distribution by manufacturers (Shikoku)

Regional Storage Business: Solidify our profit base

- Establish and differentiate business models with strong connections to each local region
- Make large-scale capital investments, primarily on a "scrap and build" basis, with a long-term perspective in mind
- Take every possible step to reduce operating costs

Our Targeted Area for Domestic Food Distribution



Overseas Business: Aim to expand management base

- Restore revenues in Western Europe and quickly establish operations base in Poland to expand business in Central and Eastern Europe
- Secure revenue base for business in China by quickly establishing a new distribution center

Inside a cold storage facility

Distribution Center in Shanghai

Market and Industry Trends

In Japan's 12 largest cities, the volume of inventories in storage amounted to 10,191,000 tons (down 3.5% from the previous year). The average inventory ratio was 35.3% (down 1.0% from the previous year).

- Higher crude oil prices increased overall costs.
- Import volume of U.S. beef increased slightly, but there were big drops in import volumes of pork, due to excessive domestic inventories, and of chicken, which remains the focus of avian flu concerns.
- Imports of agricultural products increased over the previous year, thanks to solid imports of vegetables.
- Imports of marine products declined overall, including fish like bonito and tuna.

Major Policies for the Year through March 2008

Reinforce transportation functions as an independent business

We recognize that the key to our company's growth lies in our Logistics Network Business, which includes transfer centers (TCs), transportation and 3PL. We view the reinforcement of this business as our top priority. We are especially focusing on cultivating transportation as the next mainstay of Nichirei's growth. In the year ended March 2007, we established a subsidiary called NK Trans Inc., which we outfitted with 35 vehicles in Nichirei's first trial of this kind. In the fiscal year through March 2008, we plan to increase the number of vehicles to 100. In addition to building up the system to make a business that is separate from refrigeration equipment, we will improve marketing capacity and personnel policies.

Our transport business: the key to growth

Transfer Centers: Expand order-taking operations and win new customers

Nichirei's transfer centers (TCs) accept overall responsibility for operating distribution centers on behalf of customers. As of today, our business has grown to the point that we operate more than 30 centers, and we have also grown satisfactorily in terms of sales and profits. From now on, we want to improve our capacity for generating revenues from existing customers by introducing transportation and various other services related to our TC operation. As more customers are concerned with increasing efficiency in the operation of distribution centers, our goal is to win orders for three new centers per year.

Regional Storage Business: Invest aggressively to renew aging equipment

Over the next three years, we plan to invest a total of about 40 billion yen in plant and equipment for our low-temperature logistics business. The majority of that is earmarked for our Regional Storage Business. It has been more than a dozen years since we made any major capital investment in our refrigerated warehouses. Our capital investment plan calls for renewing refrigerated warehouses primarily in the greater Tokyo metropolitan area and the Kansai region, where there are heavy concentrations of consumers, in order to provide even higher-quality, safer storage and distribution services. We will continue to implement our already successful strategy of providing better local service and lower-cost operations, and will strive to minimize the impact of the increased depreciation costs that will result from capital investment.

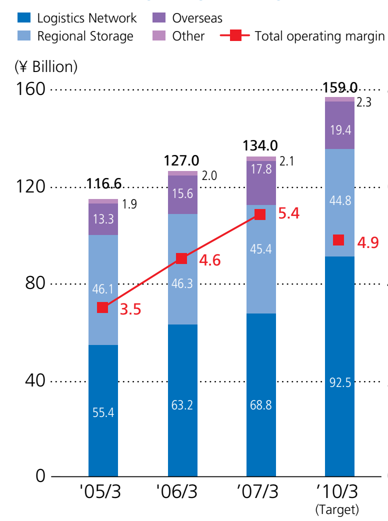
In Europe: Boost efficiency, liquidate unprofitable businesses
In Asia: Strengthen sales systems in order to win new customers

We have largely finished correcting inefficiencies in the operation of our refrigerated warehouse in Poland. We bought this warehouse in response to entry into the European Union by East European countries. In the future, we will focus on an expected surge in consumption among the eastern European countries and the entry of Western European food companies into the East European market. In addition to expanding our east-west networking business, we will restore revenues in Western Europe by expanding transportation.

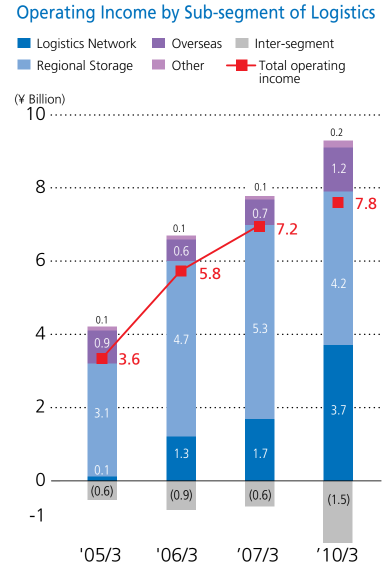
In China, one of our clients' plans to open shops remain delayed, which means there will be a delay before Nichirei becomes profitable there. For the time being, we will build our customer base to make more efficient use of existing equipment in order to turn the business into the black. At the same time, we are focusing on rising demand for low-temperature logistics ahead of the 2008 Beijing Olympic Games and the 2010 Shanghai World Expo, and are preparing for increased demand for high-quality, full-scale refrigerated storage.

Distribution base in the Netherlands

Net Sales by Sub-segment & Total Operating Margin of Logistics



Operating Income by Sub-segment of Logistics



Performance Highlights of the Year through March 2007

- New distribution centers that started operating this fiscal year and the previous fiscal year helped boost revenues in our domestic business, while progress toward reducing operating costs at existing distribution centers helped increase profits.
- In our Overseas Business, revenues and profits increased due to a solid recovery in Europe during the second half of the term.

Growth Strategies for Core Operations

Marine Products

We will achieve the goals of our "Marine Products Business Revitalization Plan" and restore the business to profitability within the first half of the term covered by our Medium-Term Plan.

Nichirei Fresh Inc.
Hisashi Hasegawa, President

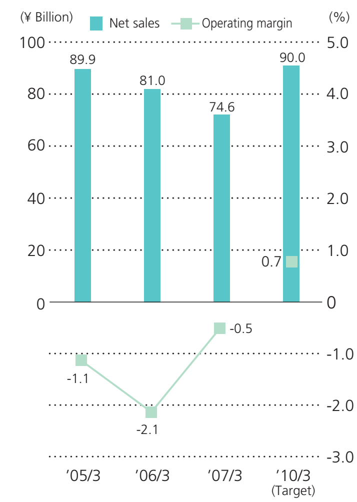
Targets and Basic Strategies per Our New Medium-Term Plan

We aim to turn a profit in the first half of the period covered by our Medium-Term Plan by trimming our product line and by adding value further down in the value chain.

Steadily implement our "Marine Products Business Revitalization Plan"

- Handle only products that have the potential to perform well in competition
- Establish a "Product Meister Model" from a medium-term standpoint

Net Sales and Operating Margin of Marine Products



Major Policies for the Year through March 2008

Steadily trim product line to restore business to profitability

In order to get back into the black after four consecutive periods of operating losses, we are currently implementing our "Marine Products Business Revitalization Plan." The plan consists of three steps: (1) reducing fixed costs to a level commensurate with net sales, (2) only handling products and materials for which we can establish competitive dominance, and (3) dramatically speeding up capital turnover and establishing a "Product Meister Model" from a medium-term standpoint. During the year ended March 2007, we made good progress toward improving profitability by trimming our product line, so in the year through March 2008 our aims will be to increase sales and improve profitability by diversifying procurement sources in areas like shrimp, crab and fish roe, where we plan to push for growth.

Prawns are one of our strongest ingredients.

Horizontally develop cases in which we succeeded at developing raw material advantages into added value

Under the "Product Meister Model" that we are approaching from a medium-term standpoint, our main purpose is to preserve the high quality that is Nichirei's advantage in the procurement stage, and further enhance it by adding value in the lower portions of the value chain, such as preliminary processing, distribution, and wholesale and retail sales. In the fiscal year through March 2008, we want to use the processing plants in China that are our business partners to duplicate in other products the success we had with products like shrimp, crab and fish roe.

Fish roe is also one of our strong areas.

Market and Industry Trends

The business environment surrounding the domestic Marine Products business remained harsh in the year ended March 2007, as the domestic market for marine products was stagnant while import prices rose due to increased worldwide demand and depreciation of the yen.

- Marine products imports during calendar year 2006 fell by 5.7% in volume while the monetary value rose 2.2% from the previous year. Shrimp imports amounted to 230,000 tons, down 1.1% from the previous year.
- Japanese per-household expenditures for fish and shellfish during calendar year 2006 fell by 1.2% from the previous year.

Performance Highlights of the Year through March 2007

- Net sales declined, partly because we trimmed our product line in accordance with our "Marine Products Business Revitalization Plan. "
- There was a large reduction in our operating loss thanks to cuts in fixed expenses and improved revenues from certain types of fish.

Meat and Poultry Products

We will push our concept of “kodawari” (fussiness) to the individual consumer

Nichirei Fresh Inc.
Minoru Satou, Executive Vice President

Targets and Basic Strategies per Our New Medium-Term Plan

Establish a business model to serve as a revenue base, starting with the differentiated premium ingredients that have won customers' trust.

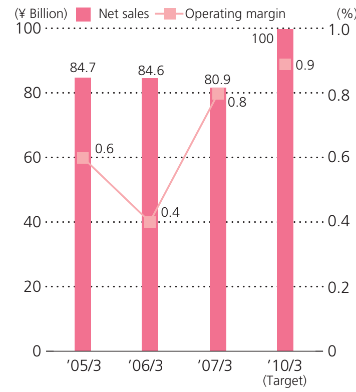
Expand business field with the global market in mind

- Use investment and M&As to strengthen procurement bases and capacity to develop differentiated premium ingredients; expand business fields into both upstream and downstream areas of the value chain

Meet customer needs and increase ability to reach customers through optimal degree of processing

- Establish systems that will allow provision of the optimal degree of processing for meeting customer needs

Net Sales and Operating Margin of Meat and Poultry Products



Major Policies for the Year through March 2008

Stimulate poultry business by introducing “pure Japanese” brand

In May, we established a new company called Nichirei Fresh Farm in response to the decline in imports of fresh chicken meat due to avian flu. The new company takes domestically hatched chicks of a native Japanese variety closely related to “Akadori” and raises them by itself, in Japan. From the year through March 2008, we will begin selling chicken meat under the brand name “Jun Wakei” (pure Japanese chicken). We will also aggressively emphasize to consumers that about 60% of the energy used at the production site comes from biomass, in order to boost the brand’s overall appeal.

Increase sales capacity by building wide-area sales system

In the past, sales were conducted only by each region’s business division. While on the one hand this system fostered close relations between customers and sales people, on the other hand it was difficult for the head office to communicate to customers its ideas and concepts underlying new products. From the fiscal year through March 2008, we will build a wide-area sales system that unites the head office with each operating division through joint sales activities, exchange between senior managers, and holding of regularly scheduled joint business meetings and training sessions. In addition to doing a better job of communicating the head office’s ideas, the new system should ensure that the value added to new products is adequately explained to customers.

Construct framework for selling processed products

In order to expand and stabilize revenues, we sell processed products in addition to raw materials. In the past, the same salespeople who sold raw materials also sold processed products, but as of the year through March 2008, we will create a full-fledged system for selling processed products. We will assign three people to the head office, two people to the Kanto region, and two people to the Kansai region to concentrate only on the sale of processed products. In this way, we can improve our ability to respond to each customer regarding the optimal degree of processing required, and thereby boost our earning capacity.

One of our differentiated premium ingredients, "FA Chicken"

Market and Industry Trends

Supplies of meat and poultry, especially imported products, remained unstable in the year ended March 2007, due to such factors as the resumption of imports of U.S. beef, outbreaks of avian flu in Japan and abroad, and stricter enforcement of import duties that discouraged imports of raw pork.

- Since the supply of raw poultry remain restricted due to avian flu concerns, imports of cooked poultry increased until they exceeded those of uncooked poultry.
- Import prices for beef exceeded those of the previous year because of restrictions on U.S. imports and the effects of drought in Australia.
- There was a sharp drop in import volumes of frozen pork due to the crackdown on import tariff evasion, but domestic demand remained steady.

Performance Highlights of the Year through March 2007

- Net sales declined due to such factors as stagnation in the market for imported frozen chicken.
- Operating income increased due to such factors as higher profits on beef and growth in lightly processed products.

Corporate Governance

Basic Philosophy

The Nichirei Group believes that our management's mission is to continuously increase shareholder value by using capital effectively and earning solid profits.

Toward that end, we are aware that management is charged with the important task of ensuring that our corporate governance establishes transparent corporate management and a level of independence for each manager that will prevent excessive control by any one person. In all of our businesses, we work through our holding company system to make clear distinctions between business execution and management-monitoring functions, to speed up decision-making, and to promote more thorough compliance with laws and corporate ethics.

Directors and the Board of Directors

The Board of Directors shall be composed of no more than 11 members, appointed for a term of one year so as to enhance the flexibility of the Group's response to changes in external conditions. In order to improve transparency and strengthen supervisory functions, we appointed three outside directors out of 10 members currently serving on the board. The Board of Directors meets at least once a month.

Auditors and the Board of Auditors

Nichirei has adopted a corporate auditing system whereby we appoint two outside auditors among a total of four auditors. One of these outside auditors heads a committee that studies issues and makes recommendations related to corporate ethics, Nichirei's code of conduct, and punishment of corporate directors should the need arise.

In principle, the Board of Auditors meets once per month, and holds additional meetings as necessary.

Independent Status of Outside Directors and Auditors; Activities in the Year Ended March 2007

Outside directors, outside auditors, their close relatives and any companies or organizations whose boards of directors they may serve on have no vested interest in Nichirei. In the year ended March 2007, our three outside directors attended 75% of regularly scheduled board meetings. They participated in discussions about Group strategy, CSR, investment-related operational planning and other important issues, and in monitoring of business execution. The two outside auditors also had a 75% attendance rate at regular board meetings, and offered opinions about issues such as internal control and legal compliance.

Committees

Nichirei has established the following committees to serve as advisory bodies to the Board of Directors:

Group Ethics Committee	Convened by the committee chairperson
Group Environmental Protection Committee	Convened by the committee chairperson
Group Quality Assurance Committee	Convened by the committee chairperson
Management Committee	Meets every Tuesday
Group Risk Management Committee	Convened by the committee chairperson
Group Information Strategy Committee	Convened by the committee chairperson
Intellectual Property Management Committee	Convened by the committee chairperson

Risk Management

Under Nichirei's risk management system, our holding company and each operating company takes independent measures depending on the types of risk each one faces. Important matters are reported to and discussed by the Board of Directors of the holding company.

Nichirei also established a Group Risk Management Committee and works to minimize risk by preventing accidents before they happen, preparing for emergencies, introducing an internal reporting system (Nichirei Hotline) to facilitate the discovery of any improper actions, and implementing in-Group auditing.

Internal Audits, Audits by Outside Auditors, and Financial Auditing

In order to audit group management effectively, the auditors of our holding company and three core operating companies cooperate through such means as regularly holding liaison conferences and conducting joint audits. The 10-member Corporate Internal Audit that constitutes our internal auditing division conducts audits of business operations and financial accounts in order to verify the status of internal controls governing all of our management activities, and offers advice when appropriate. In the year ended March 2007, our Corporate Internal Audit Compliance Group audited 215 locations and our Corporate Internal Audit Facility Group checked 132 locations. To improve awareness of internal controls, the Group has distributed to all units and offices an internal controls checklist centered on operational efficiency and effectiveness, legal compliance and financial credibility, and voluntarily conducted checks. The audit firm is Ernst & Young ShinNihon.

Ensuring thorough Compliance

Nichirei takes various actions to bolster Group-wide compliance with laws and ethics. Since 2003, we have been holding Internal Compliance Meetings where former Chairman Takemoto Ohto speaks about compliance-related topics. In the year ended March 2007, the main themes of these meetings were Nichirei's code of conduct and revisions to the case studies that we use to illustrate the code. A total of 931 regular employees from all of the Nichirei Group's workplaces attended 18 such meetings during the year. To thoroughly protect personal information, Nichirei Foods Direct Inc. and Nichirei Proserve Inc. acquired certification under the Privacy Mark System in the fiscal year.

Thorough Internal Controls

The Nichirei Group is aware that we can increase corporate value by instituting and operating an internal control system with goals like improving operational effectiveness and efficiency, ensuring the reliability of our financial reports, constructing risk management systems, and reinforcing thorough legal and regulatory compliance. The Group has a basic policy of establishing a system of internal controls based on the new Corporate Law, which took effect in May 2006, and intends to improve and adapt to changes in external conditions. In the year ended March 2007, we revised our code of conduct and example codes of conduct, put them into our Group corporate ethics database, and made sure that managers and staff were aware of them. We also established an Internal Control Improvement Group, which began to reinforce our internal control systems so that it will meet the requirements of Japan's new Corporate Law.

Director Compensation

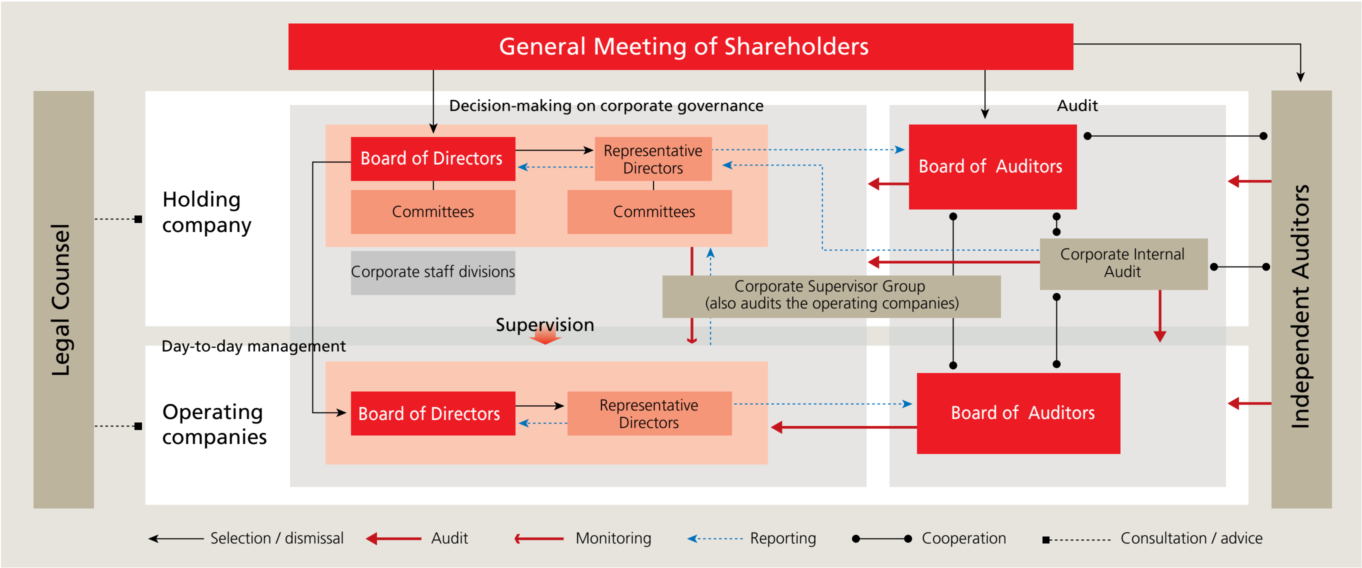
We use a performance-linked system for determining director compensation. We evaluate each member of the Board based on the scope of their responsibilities and the extent to which the Company achieves initial goals for the term regarding economic value added, operating income, net income and other performance indicators.

Corporate Officer Compensation in the Year Ended March 2007

Function	Number of members	Amount of compensation	Comments
Director	10	201 million yen	3 outside directors receive 25 million yen
Auditor	4	49 million yen	2 outside auditors receive 18 million yen

Notes: 1. "Amount of compensation" includes bonuses of 77 million yen paid to each director for the fiscal year ended March 2007.
2. In addition to the above amounts, the following amounts were paid according to a decision taken at a June 27, 2006 general shareholders' meeting:
(1) Director bonuses based on profit distribution: 35 million yen
(2) Corporate officer retirement pay (one director, one auditor): 53 million yen

Diagram of Corporate Governance Structure



Directors, Auditors and Officers

Mitsudo Urano
Representative Director and Chairman

Toshiaki Murai
Representative Director and President

Yoshihiko Soma
Senior Managing Executive Officer

Hisashi Hasegawa
Senior Managing Executive Officer

Yutaro Mita
Managing Executive Officer

Directors

Representative Director and Chairman
Mitsudo Urano

Representative Director and President
Toshiaki Murai

Senior Managing Executive Officers
Yoshihiko Soma
Hisashi Hasegawa

Managing Executive Officer
Yutaro Mita

Executive Officers
Yoshio Kawai
Takeshi Ara

Outside Directors

Mitsuo Hirose
(Representative Chairman & President, Pacific Golf Group International Holdings K.K)

Toshiki Sumitani
(Professor, Kenichi Ohmae Graduate School of Business)

Miyuri Kawamata
(Associate Professor, International Graduate School of Social Sciences Yokohama National University)

Auditors

Corporate Auditors
Tsunehiro Otsuka
Kazuaki Nagatsuka

Outside Auditors
Masaaki Sato
Kunitaro Saida

Officers

Executive Officers
Takashi Nakamura
Tatsuo Yamada
Yasuyoshi Mori

Corporate Social Responsibility

In order to develop in a sustainable way, we intend to actively fulfill our corporate responsibilities to society from six standpoints: 1) creation of new customer value, 2) improving employee job satisfaction, 3) legal compliance, 4) corporate governance, 5) concern for the environment, and 6) contribution to society. Below is an explanation of our policies and achievements regarding environmental preservation and social contributions. (For details, see "Nichirei CSR Report 2007.")

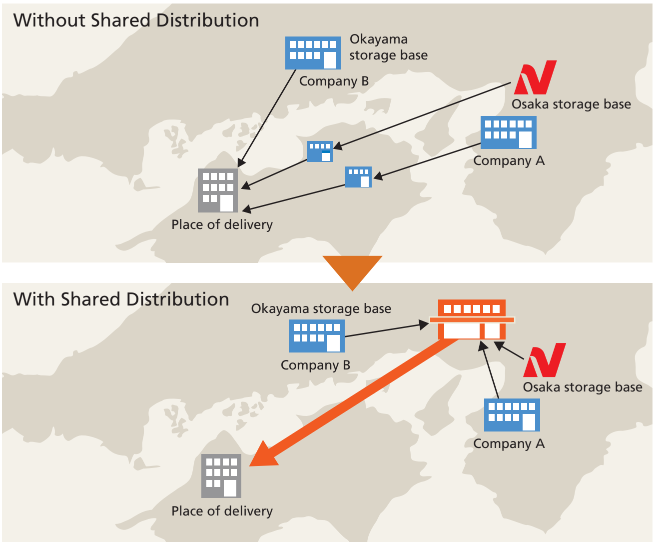
Environmental Preservation

The Nichirei Group continually monitors the environmental impact of our business activities, and we make use of this in our activities. By expanding the scope of our tabulations and reflecting the data we collect in policies and actions, we aim to reduce the impact in a wider range of ways.

Shared Distribution – Reducing CO_2 Emissions While Achieving Greater Efficiency

The Nichirei Group is organizing shared distribution among food processing companies. In addition to sharing deliveries, as has been done in the past, we can realize even more efficient distribution by also sharing storage bases among manufacturers. In the year through March 2007, we succeeded in having three frozen food manufacturers (Nippon Suisan Kaisha, Ltd., Ajinomoto Frozen Foods Co., Inc., and Nichirei Foods Inc.) share distribution in the Shikoku region. Our 3PL subsidiary, Logistics Planner Inc., planned and operates this project. The same three companies were already sharing distribution in the Hokkaido, Chubu and Kyushu regions, but in the Shikoku region, we further increased the efficiency of distribution by also sharing other aspects such as inventory bases and storage. This project has resulted not only in lower distribution costs, but also in reductions of about 10 to 20% in CO_2 emissions.

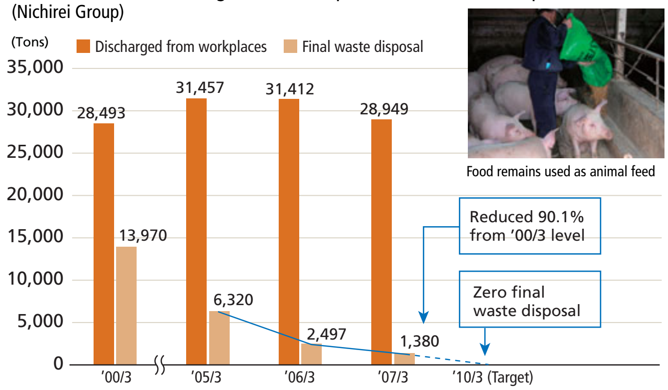
Image Diagram of Shared Distribution in Shikoku Region



Using Food Waste for Animal Feed or Fertilizer

At the Shiroishi Plant where we make deep-fried products like spring rolls and croquettes, we have been working hard to find effective uses for spring roll wrappers, fillings and bread crumbs that did not get used in finished products. We installed processing machines in the plant and began selling the processed waste materials as animal feed or fertilizer.

Amount of Waste Discharged from Workplaces & Final Waste Disposal (Nichirei Group)



Food remains used as animal feed

Social Contributions in Keeping with Nichirei's Corporate Character

In April 2006, the Nichirei Group formed a "Social Contribution Committee" aimed at promoting activities that contribute to society and sharing related information. In the committee's first year, the fiscal year ended March 2007, its main activities were sharing information related to donation recipients and examples of social contribution activities, and formulating a basic policy regarding social contributions by the Nichirei Group. In the future, the committee will continue to share information among Nichirei's operating companies and engage in activities that promote social contributions that are even more in keeping with Nichirei's corporate character.

Support for Swimming Skills Testing System Recognized by the Japan Swimming Federation

Since 2004, the Nichirei Group has been supporting the swimming skills testing system recognized by the Japan Swimming Federation. The "Nichirei Challenge Swimming Badge Test" is currently given at swimming clubs and other locations affiliated with the Federation. In the year ended March 2007, more than 40,000 people participated in this event.

The test is called the "Nichirei Challenge Swimming Badge Test."

Support for Women's Soccer Team

Since February 2005, Nichirei has been the uniform sponsor for NTV Beleza, a women's soccer team in Japan's L-League. The Japanese Football Association (JFA) has designated the enlivening of women's soccer as a priority, and the number of fans is expected to rise sharply in the future. Nichirei most recently supported Beleza by displaying Nichirei's logo on its uniforms and by sponsoring soccer clinics taught by Beleza athletes. This fiscal year, Nichirei held four such soccer clinics attended by a total of 278 women. Through activities like these, Nichirei hopes to help generate more enthusiasm for women's soccer.

Soccer clinic sponsored by Nichirei

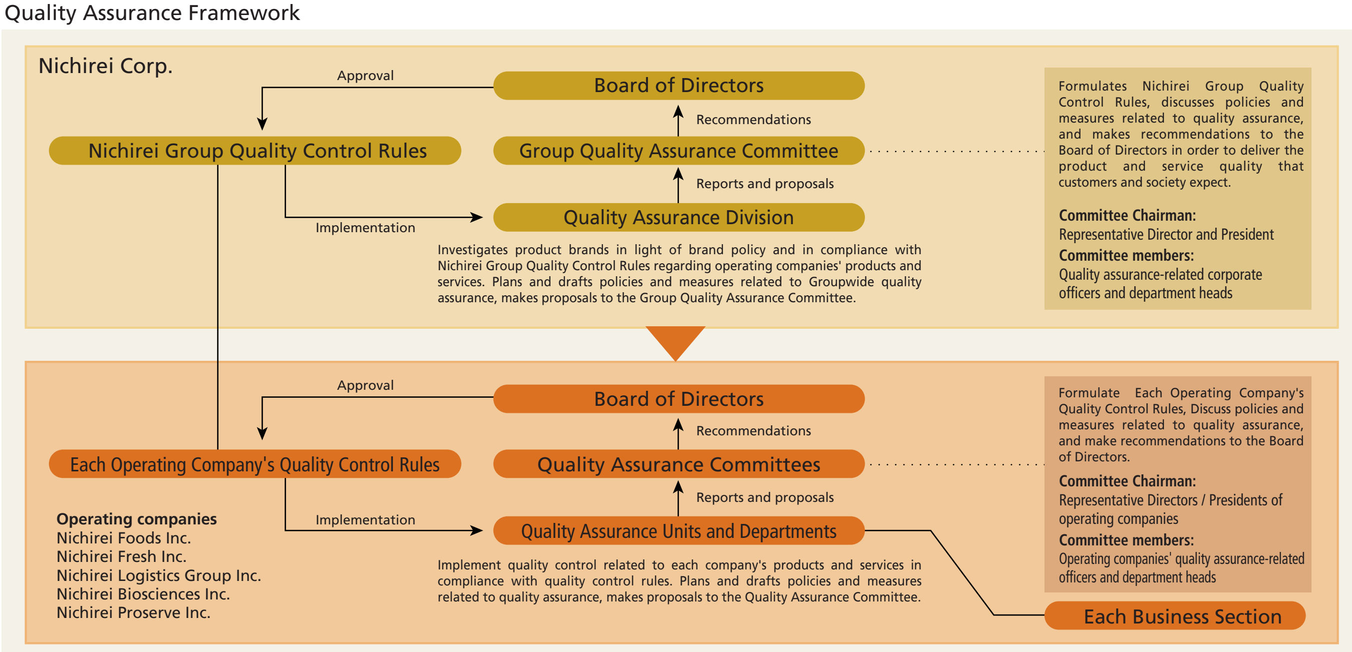
Supplying Safe and Reliable Products

The entire Nichirei Group strictly obeys necessary laws and regulations such as the Food Sanitation Law, Japanese Agricultural Standards, and other laws related to food handling or business practices, and we also demand strict compliance by any manufacturing subcontractors that we use. Furthermore, we make sure to understand the requirements of consumers and client companies regarding the safety and reliability of foods, and the entire Nichirei Group continually upgrades its capacity for quality assurance.

Quality Assurance System

In order to provide safe and reliable products, the Nichirei Group engages in quality assurance activities that are appropriate for the type of business, products and services handled by each operating company, in line with the Group's basic policy on quality assurance and quality control regulations. The Group's Quality Assurance Committee and each operating company's Quality Assurance Committee review quality assurance activities from a management standpoint and share information about things like points that need improvement and customers' opinions and requests. The committees also work at continually improving Nichirei's quality assurance system. The Food Safety Research Center of Quality Assurance Division, Nichirei Corporation conducts many kinds of analytical tests and develops testing and analysis technologies in order to ensure the safety of the products sold by Nichirei's operating companies.

Quality Assurance Framework



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Management's Discussion and Analysis

Operations

Business Environment

In the fiscal year ended March 2007, the Japanese economy moderately recovered as strong corporate earnings drove capital expenditures higher and employment conditions improved, despite lackluster consumer spending owing partly to unfavorable weather.

In our business area, the food industry, improvements in product quality and service have become increasingly important, amid an increase in consumer interest in safe, reliable and healthy food products. In addition, with the emergence of a number of corporate scandals, companies are under greater pressure than before to ensure that they operate with strong business ethics and transparency, and contribute broadly to society.

Overview

This fiscal year was the final year of a group-wide Medium-Term Plan that covered the fiscal years ended March 2005 to March 2007. Under the holding company system that we transitioned to in fiscal 2004 to provide greater flexibility in decision-making and execution in the different business areas, we were able to further enhance our core competencies: 1) discerning the quality of ingredients, 2) having technologies and marketing abilities for converting raw ingredients into good taste, good health and pleasure, and 3) having safe and efficient distribution of food products so that product quality does not suffer. At the same time, by focusing on our core businesses of Processed Foods and Logistics, we were able to improve our earning strength and establish a foundation for sustainable growth. We exceeded our plan targets for improving asset efficiency, which we had steadily tackled as a priority issue, and for strengthening our financial condition by reducing interest-bearing debt.

Operating Results

Net sales for this fiscal year decreased 2.5%, or ¥11,756 million (US$99.5 million), from the previous year to ¥457,655 million (US$3,875.4 million). Sales increased in the Logistics business, roughly as we expected, but declined in the Processed Foods business because changes in sales promotion expenses hurt sales of frozen foods for household use. Sales also declined in the Marine Product and the Meat and Poultry Product businesses.

Operating income rose 13.3% from the previous year to ¥18,148 million (US$153.6 million). The operating margin improved from 3.4% to 4.0%. Operating income rose in the Logistics business because profitability improved at existing distribution centers and low-cost operations became entrenched, and also increased in the Processed Foods business because sales promotion expenses were efficiently used and logistics and fixed costs declined as a result of the reorganization of production bases. Operating income climbed in the Meat and Poultry Products business thanks to improved income on beef and growth for lightly processed products, and operating losses in the Marine Products business narrowed substantially because of fixed-cost reductions and improved profitability on certain types of fish.

Among the key cost items, the cost of sales fell 2.4% from the previous year to ¥368,855 million (US$3,123.5 million), and our cost-to-sales ratio came to 80.6%, up 0.1% from the previous year. Selling expenses fell 8.0% to ¥41,222 million (US$349.0 million). Although advertising expenses increased because of a TV advertising campaign, overall sales promotion expenses declined substantially thanks to the efficient use of sales promotion expenses for prepared frozen foods for household use. General and administrative expenses declined 4.3% year on year to ¥29,428 million (US$249.1 million).

Performance by Segment

Processed Foods

	2006.3	2007.3	Change (%)
Net sales	¥ 184,844	¥ 177,305	-4.1
Operating income	5,454	6,018	10.3
Operating margin	3.0%	3.4%	

(¥ Million)

During the year ended March 2007, net sales in Processed Foods declined 4.1% year on year to ¥177,305 million (US$1,501.4 million). Changes in sales promotion expenses hurt sales of frozen foods for household use, and sales of prepared frozen foods for industrial use, which had been strong, weakened in the second half because of price increases. Sales of processed chicken for industrial use and croquettes for household use and wellness foods increased, but sales of cooked-rice products and Chinese ready-to-serve dishes, precooked marine products, and acerola for household use declined. Operating income rose 10.3% to ¥6,018 million (US$50.9 million), and the operating margin also increased from 3.0% to 3.4%. Operating income was hurt by a decline in acerola sales and an increase in advertising costs from a newspaper advertising campaign for "Kikubari-Gozen," a series of products in a growth area, but still increased overall thanks to a substantial decline in sales promotion expenses as a result of the efficient use of sales promotion expenses for prepared frozen foods for household use, and reductions in logistics and fixed costs stemming from reorganization of production bases.

(a) Prepared frozen foods for household use

Sales of prepared frozen foods for household use declined 9.5% from the previous year to ¥50.4 billion (US$426.7 million). Changes in sales promotion expenses starting this fiscal year, to correct regular discounting at supermarkets, led to a decline in the Company's share of products handled by wholesalers, a lower frequency of special sales of the Company's products at retailers, and a decline in sales. Sales of such rice products as "Yaki Onigiri," which faced tough competition from other food companies, and such Chinese ready-to-eat dishes as "Ama-ebi Shumai" particularly slumped. On the other hand, sales of processed meats, such as "Minihamburg," and croquettes such as the "Koromoga Sakusaku Beef Croquette," held steady.

(b) Prepared frozen foods for industrial use

Sales of prepared frozen foods for industrial use rose 0.6% from the previous year to ¥80.3 billion (US$679.9 million). Demand remained strong for processed chicken products, such as "Kongari Honetsuki Chicken," and products aimed at the ready-to-eat food market, such as "The Hotto Suru Okazu Series." However, price increases and a decision to refrain from active marketing of hamburger and croquette products prior to the introduction of new products in the next fiscal year pushed down sales in the second half of the year.

(c) Frozen agricultural products

Sales of processed agricultural products fell 4.5% from the previous year.

Sales of domestically grown spinach increased substantially, but sales of soybean slumped owing to product changes in response to the Positive List System for agricultural chemicals remaining in foods.

(d) Acerola

Sales in the acerola business declined 11.4% from the previous year.

Sales of "Acerola Vitamin C" were roughly on par with the previous year's level, with the help of TV and other advertising early in this fiscal year, but overall acerola sales declined because of weak sales of our mainstay Acerola Drink. The Company made progress in developing "Acerola Hayazumi C," a new type of acerola drink with a large amount of vitamin C.

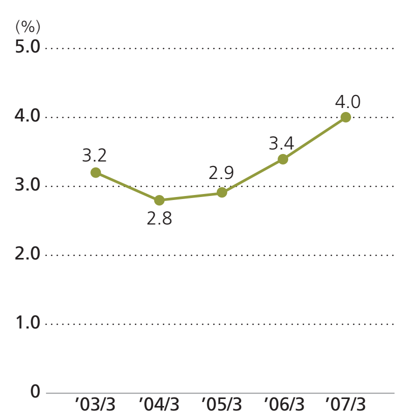
Marine Products

	2006.3	2007.3	Change (%)
Net sales	¥ 81,068	¥ 74,657	-7.9
Operating income	(1,659)	(353)	–
Operating margin	–	–	

(¥ Million)

In the marine products industry, intensified purchasing competition owing to growth in demand in the worldwide market (mainly the U.S., Europe and China) pushed up worldwide prices of marine products. In addition, prices of marine product imports remained high because the yen weakened against other currencies. However, domestic sales prices remained weak and business conditions overall were still difficult for the Marine Products business. Domestic spending per household on seafood in calendar year 2006 slipped 1.2% from the previous year, according to a survey of household expenditures conducted by the Ministry of Internal Affairs and Communications. During the same period, marine products imports declined by 5.7%, according to the Japan Fish Traders Association. Nevertheless, the monetary value of marine products imports reflected the sharp increases in prices of marine product imports, and increased 2.2% over the previous year.

Operating Margin 2003-2007



Under such conditions, the Company managed to limit the sales decline in the Marine Products business year on year to 7.9% by reducing the number of employees by 25%, based on a "Marine Products Business Revitalization Plan," trimming our product line and improving productivity per worker. The operating loss narrowed substantially from the previous year's ¥1,659 million to ¥353 million (US$2.9 million) thanks to reductions of personnel and other fixed costs and improved profitability on certain types of fish.

Sales of our core shrimp declined 5.7% from the previous fiscal year, but profits in this product area still increased thanks to South American and Southeast Asian shrimp. In the crab business, sales and profits increased this fiscal year because a turnaround in market conditions eliminated the inventory losses that hurt the business in the previous fiscal year, and sales grew as a result of strong positive responses among customers to the Company's product quality management system. Profits on fish roe products rose, as the "Product Meister Model" became increasingly established as a longer-term initiative of the revitalization plan.

Meat and Poultry Products

	2006.3	2007.3	Change (%)
Net sales	¥ 84,641	¥ 80,910	-4.4
Operating income	309	649	109.9
Operating margin	0.4%	0.8%	

(¥ Million)

In the Meat and Poultry Products business, supply conditions remained unstable, mainly because of limited import volumes, even though imports of U.S. beef resumed; instances of avian flu in Japan and other countries; and a crackdown on import tariff evasion on imported pork.

Under these conditions, we worked to expand our line of differentiated ingredients. For example, we raised chickens on an experimental basis for "Omega Balance Chicken," and worked on developing new procurement channels for our already successful "Omega Balance Pork." At a "Nichirei Fresh Kodawari Seminar" in November 2006, we introduced "Spain Iberico Pork" and "Honoo-no Yakitori (Open-flame Grilled Chicken)," among other products. Net sales declined 4.4% year on year partly because of a slump in market conditions for imported frozen chicken and other foods, but operating income increased thanks to improved profits on beef and growth for lightly processed products.

Chicken sales fell 9.1% year on year owing to the slump in market conditions for imported frozen products despite a focus on the development and sale of processed products. Beef sales shrank 4.4% year on year, but a focus on planned sourcing and sales of domestic and Australian products helped profits improve. Pork sales dipped 1.3% year on year owing to a decline in the volume of imported frozen products despite growth in the volume of domestic and processed products.

Logistics

	2006.3	2007.3	Change (%)
Net sales	¥ 127,077	¥ 134,073	5.5
Operating income	5,825	7,227	24.1
Operating margin	4.6%	5.4%	

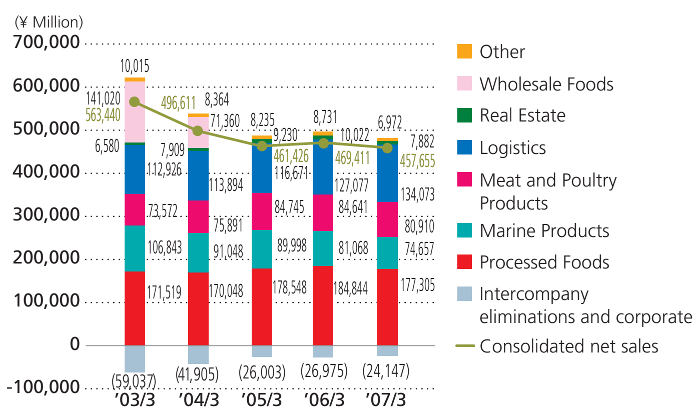
(¥ Million)

In the temperature-controlled logistics industry, the intake volume in Japan's 12 major cities decreased by 3.5% from the previous year to 10,191,000 tons, while the average utilization rate fell 1.0 percentage points to 35.3%. The intake volume by the Group decreased by 1.5% to 2,782,000 tons and the average utilization rate fell 0.6 percentage points to 37.7%.

The volume of Japan's meat and poultry product imports decreased from the previous fiscal year. Imports of U.S. beef resumed and increased slightly, but imports of pork and chicken declined substantially because of stagnant domestic pork inventories and the negative impact of avian flu. The volume of Japan's marine product imports, including bonito and tuna, also declined. However, the volume of imports of agricultural products, mainly vegetables, increased from the previous fiscal year.

In this environment, net sales in the Logistics business rose by 5.5% year on year to ¥134,073 million (US$1,135.3 million) and operating income climbed 24.1% to ¥7,227 million (US$61.2 million). On the domestic side of the business, sales increased at distribution centers that operated

Net Sales by Segment 2003-2007



Note: In fiscal 2004, Nichirei redefined its business segments in connection with its introduction of a division company structure.
Segment information of fiscal 2003 under the new segmentation is also shown here for the purpose of comparison.

in the previous and this fiscal year, as did profits, because the inventory rate in the Tokyo harbor area remain high, profitability improved at existing distribution centers, and low-cost operations became entrenched. In the Overseas Business, a solid rebound in results in Europe in the second half led to sales and profit growth.

(a) Logistics Network Business

Net sales in the Logistics Network Business increased 8.9% to ¥68,767 million (US$582.3 million) and operating income rose 31.8% to ¥1,722 million (US$14.5 million).

The sales growth came from a substantial increase in sales at one distribution center that started up in the previous fiscal year and two this fiscal year, and solid growth in the transport business. The profit growth stemmed from improved operational efficiency within facilities, which had been an issue for profitability; increases in consolidation; on-time shipping / receiving; and the promotion of pallet shipping services.

(b) Regional Storage Business

Net sales in the Regional Storage Business declined 2.1% year on year to ¥45,371 million (US$384.2 million) but operating income climbed 11.1% to ¥5,258 million (US$44.5 million).

Sales declined because the volume warehoused in the Tokyo harbor area declined owing to a drop in the volume of imports, mainly of meat and poultry products. Also, the closure of several cold-storage facilities in the previous and current fiscal years had a negative impact of ¥600 million (US$5.0 million) on sales. Operating income increased thanks to an inventory ratio in the Tokyo harbor area that stayed high, even as the volume warehoused declined, new customers and products through operations tailored to local areas, and the entrenchment of low-cost operations, including personnel-cost reductions.

(c) Overseas Business

Net sales in the Overseas Business increased 13.8% to ¥17,758 million (US$150.3 million) and operating income rose 28.7% to ¥719 million (US$6.0 million).

In Europe, the volume of fruit juice storage declined because of hurricanes, but economic expansion in the EU helped transport revenue increase solidly. The closure of unprofitable facilities and the consolidation of storage facilities also contributed to overall profit growth in the Overseas Business.

In China, the number of our clients' stores increased, but the volume handled per store was sluggish.

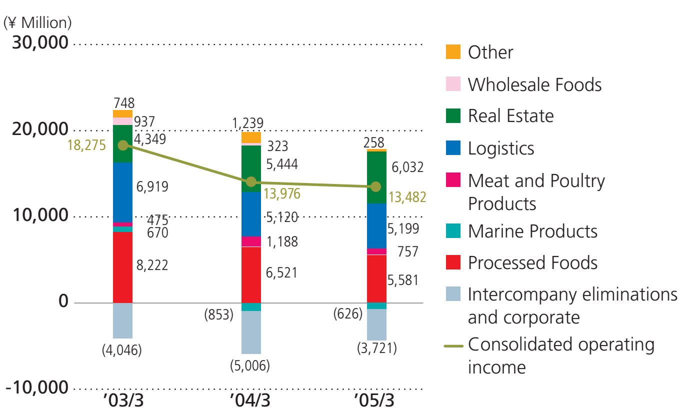
Real Estate

		2006.3		2007.3	Change (%)
Net sales	¥	10,022	¥	7,882	-21.4
Operating income		6,146		4,465	-27.4
Operating margin		61.3%		56.6%	

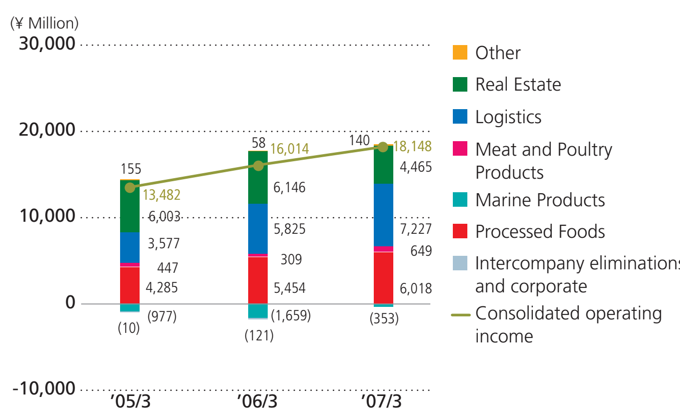
(¥ Million)

In the Real Estate business, we continued to use the Group's real estate assets efficiently and offer property management support, in accordance with the business mission. Net sales fell 21.4% year on year to ¥7,882 million (US$66.7 million) on a decline in the number of rental properties and an absence of large-scale development projects, and operating income shrank 27.4% to ¥4,465 million (US$37.8 million).

Operating Income by Segment 2003-2005



Operating Income by Segment* 2005-2007



*Changes in standard for allocating operating expenses
Along with its shift to a holding company structure in the fiscal term ended March 2006, Nichirei changed its basis for allocating nonapportionable operating expenses.
In order to compare results, the graph on the left shows each segment's operating income or loss from the term ended March 2005 calculated according to the new allocation basis.

(a) Real Estate Sales

A total of four residential lots and three other parcels of land were sold.

(b) Real Estate Rentals

A decline in the number of properties had a negative impact, but solid income was generated because renovations improved the competitiveness of the properties.

Other Operations

	2006.3	2007.3	Change (%)
Net sales	¥ 8,731	¥ 6,972	-20.1
Operating income	58	140	140.6
Operating margin	0.7%	2.0%	

(¥ Million)

In the biosciences business, net sales and operating income increased thanks to simple diagnostic drugs and staining products. The dissolution of Hokuyo Nichirei had a negative impact on sales. At Tengu Company, Inc. in the U.S., production of beef jerky – the main product – remained sharply reduced because of concerns about BSE in U.S. beef. As a result, net sales in our Other Operations declined 20.1% year on year to ¥6,972 million (US$59.0 million) but operating income climbed 140.6% to ¥140 million (US$1.1 million).

Other Income and Expenses

The net amount of other income and expenses this fiscal year was income of ¥1,052 million (US$8.9 million), compared with a loss of ¥2,876 million the previous year. The main sources of other income were ¥2,987 million (US$25.3 million) in gains on the sale of shares of affiliates, in conjunction with the sale of affiliates, and ¥643 million (US$5.4 million) in gains (profits) on the sale of fixed assets resulting from sale of land, etc. "Other expenses" included ¥1,196 million (US$10.1 million) in impairment losses arising from the adoption of asset impairment accounting, which requires that the book value of land and buildings whose market values have declined substantially be written down to their recoverable amounts. Also, the closure of Himeji Arena, among other facilities, resulted in ¥405 million (US$3.4 million) in losses.

Income before Income Taxes and Net Income

As a result of the above, income before income taxes and minority interests increased 46.1% from the previous year to ¥19,200 million (US$162.5 million) and net income rose 72.3% to ¥10,845 million (US$91.8 million), or ¥34.97 (US$0.296) per share, up sharply from ¥19.83 in the previous year.

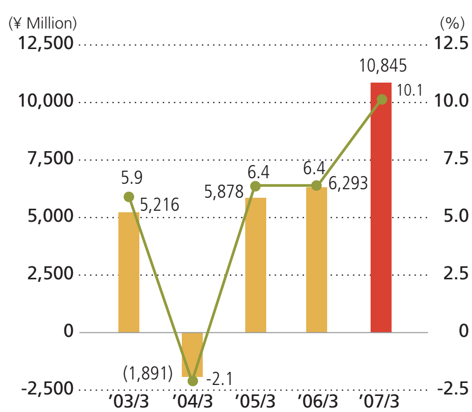
Liquidity and Capital Resources

Cash Flows

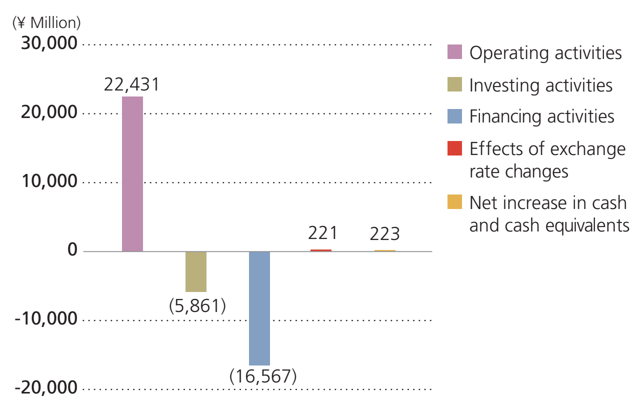
Net cash provided by operating activities this fiscal year decreased ¥1,452 million (US$12.2 million) from the previous year to ¥22,431 million (US$189.9 million). Although income before income taxes and minority interests increased ¥6,061 million (US$51.3 million) from the previous year to ¥19,200 million (US$162.5 million) , many items resulted in an overall decline. The main ones were a ¥3,252 million (US$27.5 million) impact from an increase in inventories, a ¥3,244 million (US$27.4 million) increase in income taxes paid, and a ¥2,956 million (US$25.0 million) decline in impairment losses.

Net cash used in investing activities this fiscal year totaled ¥5,861 million (US$49.6 million), compared with net cash

Net Income and ROE 2003-2007



Cash Flows 2007



provided of ¥3,663 million in the previous year. The main factor was a swing from net proceeds of ¥3,936 million from the sale of property, plant and equipment in the previous year to net purchases of ¥8,336 million (US$70.5 million) this fiscal year, owing to capital expenditure increases. However, net proceeds from the purchase and sale of investment securities increased ¥1,469 million (US$12.4 million) over the previous year to ¥2,482 million (US$21.0 million).

Net cash used in financing activities this fiscal year totaled ¥16,567 million (US$140.2 million), compared with ¥27,559 million in the previous year. The main factors were ¥10,000 million (US$84.6 million) from the redemption of bonds and a ¥3,239 million (US$27.4 million) net decrease in short-term bank loans.

Proceeds from the sales of assets helped reduce interest-bearing debt by ¥13,237 million (US$112.0 million) to ¥72,971 million (US$617.9 million) as of the end of the fiscal year. The average of interest-bearing debt at the beginning and end of the fiscal year amounted to 3.4 years the amount of net cash provided by operating activities, an improvement from 4.7 years in the previous fiscal year.

Net interest expense improved by ¥304 million (US$2.5 million) from ¥1,054 million in the previous year to ¥750 million (US$6.3 million) in this fiscal year thanks to a reduction of interest-bearing debt and lower financing costs.

As a result of the activities described above, our balance of cash and cash equivalents at the end of the fiscal year increased ¥223 million (US$1.8 million) from the previous year to ¥3,514 million (US$29.7 million).

The Balance Sheet

This fiscal year, we increased the Nichirei Group's total assets by ¥664 million (US$5.6 million) to ¥269,166 million (US$2,279.3 million). A Thai affiliate that was an equity-method affiliate became a consolidated subsidiary after the Company acquired more of its shares, and as a result total assets increased by ¥1.9 billion (US$16.0 million).

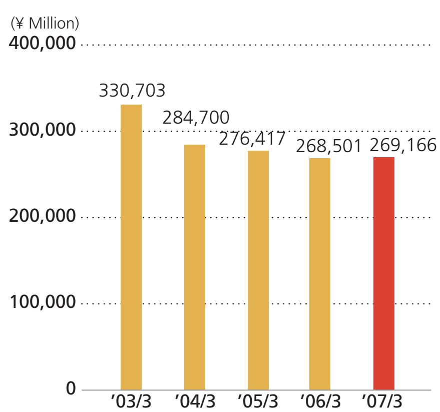
Current assets decreased by ¥525 million (US$4.4 million) to ¥107,660 million (US$911.6 million). Notes and accounts receivable increased by ¥2,299 million (US$19.4 million), partly because the last day of the fiscal year was a bank holiday, and inventories increased by ¥1,564 million (US$13.2 million). Other current assets declined by ¥3,288 million (US$27.8 million) owing to a ¥3.1 billion (US$26.2 million) decline in other accounts receivable, such as proceeds from the sale of fixed assets.

Property, plant and equipment increased by ¥1,493 million (US$12.6 million) to ¥109,534 million (US$927.5 million). The main factor was a ¥1.3 billion (US$11.0 million) increase stemming from the inclusion of Surapon Nichirei Foods Co., Ltd. (Thailand) as a consolidated subsidiary. The main capital expenditures in the fiscal year were an additional processing room and new croquette line at the Mori plant, an additional hamburger line at the Kansai plant, a new Ishikari distribution center, and an expansion of the Miyakonojo distribution center.

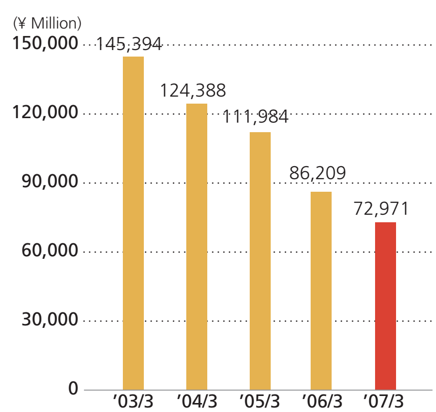
The amount of investments and other assets declined by ¥304 million (US$2.5 million) to ¥51,970 million (US$440.0 million). Investment securities increased by ¥2,252 million (US$19.0 million), but other investments and assets decreased by ¥2,555 million (US$21.6 million) .

The amount of total liabilities decreased by ¥9,152 million (US$77.5 million) to ¥156,094 million (US$1,321.8 million).

Total Assets 2003-2007



Interest-Bearing Debt 2003-2007



Current liabilities increased by ¥3,224 million (US$27.3 million) to ¥86,289 million (US$730.7 million). Notes and accounts payable increased by ¥3,052 million (US$25.8 million), partly because the last day of the fiscal year was a bank holiday, and the amount of commercial paper increased by ¥1,000 million (US$8.4 million). The amount of short-term bank loans declined by ¥2,878 million (US$24.3 million) as a result of repayments.

Long-term liabilities declined by ¥12,376 million (US$104.8 million), or 15.1%, to ¥69,805 million (US$591.1 million) mainly as a result of a ¥10,000 million (US$84.6 million) decline in the amount of bonds, stemming from the May 2006 redemption of the Company's Series 15 unsecured bonds, and a ¥2,271 million (US$19.2 million) reduction in long-term loans.

Starting with this fiscal year, shareholders' equity is shown as net assets and calculated in accordance with new rules for consolidated financial statements that took effect in 2005*. Total net assets were ¥113,071 million (US$957.5 million). Based on the previous accounting rules, shareholders' equity would have been up ¥8,098 million (US$68.5 million) from the previous fiscal year to ¥110,722 million (US$937.6 million). Retained earnings rose by ¥7,219 million (US$61.1 million) as the reduction from interim dividends and other appropriations of retained earnings for the previous year was more than offset by the increase from net income.

The calculation of shareholders' equity also changed as a result of the changes in consolidated financial statement rules. Shareholders' equity based on the new rules totaled ¥100,543 million (US$851.4 million), or 37.4% of total assets. The debt-to-equity ratio was 0.7, versus 0.8 at the end of the previous fiscal year.

* The previous year's figures in the financial statements of this annual report are shown according to this new rule for readers' convenience.

Significant Risk Factors Impacting Operating Results

Significant risk factors we can determine as of the end of March 2007 that could affect investors' investment decisions, of which some involve possible future developments, include the following:

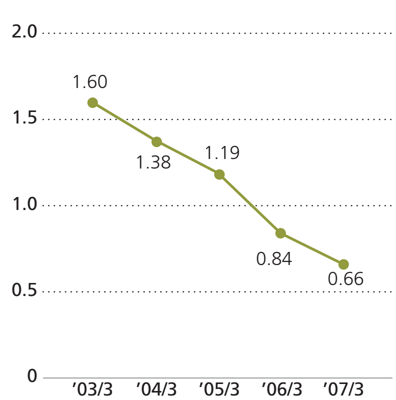
(a) Food safety issues

One of our primary businesses is the importation of food products and materials from outside Japan. If issues arise about the safety of food imports, owing to avian flu and BSE, for example, the Group could have difficulties in sourcing stable supplies of key products and materials in the Processed Food business and chicken and beef in the 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.

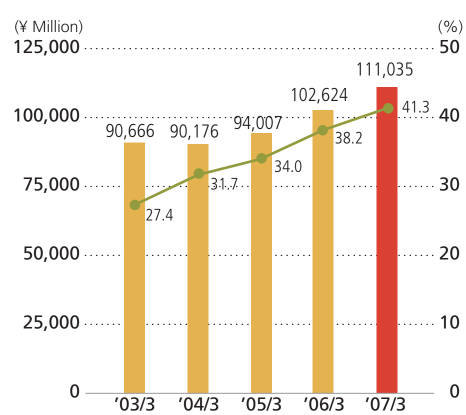
(b) Fluctuations in prices of food products and materials

In the Marine Products business, the prices of the main products (e.g., shrimp, crab and octopus), which we import from countries around the world, are affected by worldwide demand and the amounts that are caught and imported. Prices of frozen fish imports are also affected by prices and the amount of fish caught off the coasts of Japan. 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

Debt-to-Equity 2003-2007



Shareholders' equity and Equity Ratio* 2003-2007



* Shareholders' equity for the years ended March 31, 2006 and 2007 = net assets - minority interests

restrictions ("safeguard measures"). In the Processed Foods business, in which these products are used as materials to produce other food products, fluctuations in the market prices of food products and materials we use could have a significant impact on the Group's results such as procurement costs of raw materials and manufacturing costs.

(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 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.

Consolidated Balance Sheets

Nichirei Corporation and Consolidated Subsidiaries

As of March 31, 2006 and 2007

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Current assets:			
Cash and cash equivalents	¥ 3,290	¥ 3,514	$ 29,759
Notes and accounts receivable – trade	64,315	66,615	564,107
Less allowance for doubtful accounts	(295)	(113)	(960)
Inventories *(Note 4)*	31,037	32,601	276,074
Deferred tax assets *(Note 10)*	3,138	1,632	13,821
Other current assets	6,698	3,410	28,880
Total current assets	108,185	107,660	911,682
Property, plant and equipment *(Notes 6 and 7)*:			
Land	26,087	26,509	224,489
Buildings and structures	186,796	190,799	1,615,716
Machinery and equipment	65,112	69,301	586,855
Construction in progress	1,058	478	4,055
	279,054	287,090	2,431,117
Less accumulated depreciation	(171,013)	(177,555)	(1,503,564)
Property, plant and equipment, net	108,041	109,534	927,552
Investments and other assets:			
Investment securities *(Notes 5 and 7)*	25,545	27,797	235,392
Investment in affiliates	9,374	5,603	47,447
Deferred tax assets *(Note 10)*	1,627	1,615	13,682
Other *(Notes 6 and 7)*	16,875	18,093	153,216
Less allowance for doubtful accounts	(1,148)	(1,138)	(9,643)
Total investments and other assets	52,274	51,970	440,095
Total assets	¥ 268,501	¥ 269,166	$2,279,330

The accompanying notes are integral parts of these statements.

Liabilities and net assets	Millions of yen 2006	Millions of yen 2007	Thousands of U.S. dollars (Note 1) 2007
Current liabilities:			
Short-term bank loans *(Note 7)*	¥ 13,001	¥ **10,123**	$ **85,723**
Commercial paper	–	**1,000**	**8,468**
Current portion of long-term debt *(Note 7)*	11,645	**12,556**	**106,333**
Notes and accounts payables – trade	25,994	**29,046**	**245,970**
Income taxes payable	3,505	**4,114**	**34,841**
Accrued expenses	19,254	**19,947**	**168,918**
Accrued directors' bonuses	–	**191**	**1,618**
Other current liabilities	9,664	**9,309**	**78,831**
Total current liabilities	83,064	**86,289**	**730,707**
Long-term liabilities:			
Long-term debt *(Note 7)*	61,562	**49,291**	**417,407**
Accrued directors', statutory auditors' and employees' retirement benefits *(Notes 3 and 15)*	3,780	**3,258**	**27,594**
Deferred tax liabilities *(Note 10)*	3,134	**3,560**	**30,149**
Accrued impairment loss on non-capitalized finance leases *(Note 11)*	2,196	**1,941**	**16,437**
Negative goodwill	–	**115**	**976**
Other	11,508	**11,637**	**98,551**
Total long-term liabilities	82,181	**69,805**	**591,117**
Total liabilities	165,246	**156,094**	**1,321,824**
Net assets			
Shareholders' equity *(Note 8)*			
Common stock, with no par value:			
Authorized - 720,000,000 shares			
Issued and outstanding - 310,851,065 shares	30,307	**30,307**	**256,650**
Capital surplus	23,706	**23,709**	**200,773**
Retained earnings	39,627	**46,847**	**396,708**
Less treasury stock, at cost	(261)	**(321)**	**(2,721)**
Total shareholders' equity	93,380	**100,543**	**851,412**
Valuation, translation adjustments and other:			
Net unrealized holding gain on securities	8,353	**8,203**	**69,470**
Net deferred gain on hedges	–	**312**	**2,645**
Translation adjustments	890	**1,975**	**16,730**
Total valuation, translation adjustments and other	9,243	**10,491**	**88,847**
Minority interests in consolidated subsidiaries	630	**2,036**	**17,246**
Total net assets	103,255	**113,071**	**957,505**
Total liabilities and net assets	¥ 268,501	¥ **269,166**	**$2,279,330**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Operations

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Net sales	¥ 469,411	¥ 457,655	$3,875,476
Operating costs and expenses:			
Cost of sales	377,834	368,855	3,123,508
Selling, general and administrative expenses *(Note 14)*	75,563	70,651	598,282
	453,397	439,506	3,721,790
Operating income	16,014	18,148	153,685
Other income (expenses):			
Interest and dividend income	320	476	4,035
Interest expense	(1,374)	(1,213)	(10,274)
Other – net *(Note 9)*	(1,822)	1,788	15,141
	(2,875)	1,051	8,902
Income before income taxes and minority interests	13,138	19,200	162,588
Income taxes *(Note 10)*:			
Current	4,499	6,219	52,665
Deferred	2,247	2,036	17,247
	6,746	8,256	69,913
Minority interests	98	98	837
Net income	¥ 6,293	¥ 10,845	$ 91,837

	Yen		U.S. dollars (Note 1)
Amounts per share *(Note 16)*:			
Net assets	¥ 330.40	¥ 358.08	$ 3.032
Net income:			
Basic	¥ 19.83	¥ 34.97	$ 0.296
Diluted	–	–	–

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Net Assets

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2007

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2005	30,307	23,705	35,495	(224)	89,283
Changes during the fiscal year					
Dividends	–	–	(1,862)	–	(1,862)
Bonuses for directors and corporate auditors	–	–	(135)	–	(135)
Net income	–	–	6,293	–	6,293
Decrease due to change in accounting principles at consolidated overseas subsidiaries	–	–	(162)	–	(162)
Acquisition of treasury stock	–	–	–	(40)	(40)
Disposal of treasury stock	–	1	–	3	4
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the fiscal year	–	1	4,132	(36)	4,097
Balance as of March 31, 2006	30,307	23,706	39,627	(261)	93,380

	Millions of yen					
	Valuation, translation adjustments and other					
	Net unrealized gain / (loss) on other securities	Net deferred gain on hedges [*1]	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
Balance as of April 1, 2005	4,533	–	189	4,723	630	94,637
Changes during the fiscal year						
Dividends	–	–	–	–	–	(1,862)
Bonuses for directors and corporate auditors	–	–	–	–	–	(135)
Net income	–	–	–	–	–	6,293
Decrease due to change in accounting principles at consolidated overseas subsidiaries	–	–	–	–	–	(162)
Acquisition of treasury stock	–	–	–	–	–	(40)
Disposal of treasury stock	–	–	–	–	–	4
Net changes in items other than shareholders' equity	3,819	–	701	4,520	0	4,520
Total changes during the fiscal year	3,819	–	701	4,520	0	8,617
Balance as of March 31, 2006	8,353	–	890	9,243	630	103,255

[*1] For the years ended March 31, 2005 and 2006, net deferred gain and loss on hedges were included in other current assets and liabilities instead of the items of net assets.

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2006	30,307	23,706	39,627	(261)	93,380
Changes during the fiscal year					
Dividends [*2]	–	–	(2,792)	–	(2,792)
Bonuses for directors and corporate auditors	–	–	(124)	–	(124)
Net income	–	–	10,845	–	10,845
Decrease in companies accounted for by the equity method	–	–	(708)	–	(708)
Acquisition of treasury stock	–	–	–	(64)	(64)
Disposal of treasury stock	–	2	–	4	7
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the fiscal year	–	2	7,219	(59)	7,162
Balance as of March 31, 2007	30,307	23,709	46,847	(321)	100,543

	Millions of yen					
	Valuation, translation adjustments and other					
	Net unrealized gain / (loss) on other securities	Net deferred gain on hedges	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
Balance as of April 1, 2006	8,353	–	890	9,243	630	103,255
Changes during the fiscal year						
Dividends [*2]	–	–	–	–	–	(2,792)
Bonuses for directors and corporate auditors	–	–	–	–	–	(124)
Net income	–	–	–	–	–	10,845
Decrease in companies accounted for by the equity method	–	–	–	–	–	(708)
Acquisition of treasury stock	–	–	–	–	–	(64)
Disposal of treasury stock	–	–	–	–	–	7
Net changes in items other than shareholders' equity	(149)	312	1,085	1,248	1,406	2,654
Total changes during the fiscal year	(149)	312	1,085	1,248	1,406	9,816
Balance as of March 31, 2007	8,203	312	1,975	10,491	2,036	113,071

[*2] The amount included appropriation of retained earnings of ¥1,861 million ($15,765 thousand) approved at the Ordinary shareholders' meeting held on June 27, 2006.

The accompanying notes are integral parts of these statements.

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2006	256,650	200,749	335,573	(2,214)	790,758
Changes during the fiscal year					
Dividends (*2)	–	–	(23,647)	–	(23,647)
Bonuses for directors and corporate auditors	–	–	(1,054)	–	(1,054)
Net income	–	–	91,837	–	91,837
Decrease in companies accounted for by the equity method	–	–	(5,999)	–	(5,999)
Acquisition of treasury stock	–	–	–	(546)	(546)
Disposal of treasury stock	–	24	–	39	63
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the fiscal year	–	24	61,135	(506)	60,653
Balance as of March 31, 2007	256,650	200,773	396,708	(2,721)	851,412

	Thousands of U.S. dollars					
	Valuation, translation adjustments and other					
	Net unrealized gain / (loss) on other securities	Net deferred gain on hedges	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
Balance as of April 1, 2006	70,736	–	7,541	78,278	5,339	874,376
Changes during the fiscal year						
Dividends (*2)	–	–	–	–	–	(23,647)
Bonuses for directors and corporate auditors	–	–	–	–	–	(1,054)
Net income	–	–	–	–	–	91,837
Decrease in companies accounted for by the equity method	–	–	–	–	–	(5,999)
Acquisition of treasury stock	–	–	–	–	–	(546)
Disposal of treasury stock	–	–	–	–	–	63
Net changes in items other than shareholders' equity	(1,266)	2,645	9,189	10,569	11,906	22,475
Total changes during the fiscal year	(1,266)	2,645	9,189	10,569	11,906	83,129
Balance as of March 31, 2007	69,470	2,645	16,730	88,847	17,246	957,505

*2 The amount included appropriation of retained earnings of ¥1,861 million ($15,765 thousand) approved at the Ordinary shareholders' meeting held on June 27, 2006.

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2007

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2006	2007	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 13,138	¥ 19,200	$ 162,588
Depreciation and amortization	10,775	9,327	78,989
Impairment loss on fixed assets	4,153	1,196	10,133
Decrease in allowance for doubtful accounts	(39)	(211)	(1,792)
Decrease in accrued employees' retirement benefits	(334)	(250)	(2,121)
Equity in earnings of affiliates	(1,071)	(535)	(4,534)
Loss on disposal of property, plant and equipment	365	426	3,609
Loss on devaluation of investment securities	–	163	1,380
Loss on discontinued operation	1,213	266	2,254
Interest and dividend income	(320)	(476)	(4,035)
Interest expense	1,374	1,213	10,274
Gain on sales of property, plant and equipment	(3,032)	(591)	(5,008)
Gain on sales of investment securities	(970)	(20)	(175)
Gain on sales of investment in affiliates	(52)	(2,987)	(25,300)
Increase in notes and accounts receivable – trade	(139)	(1,836)	(15,553)
Decrease / (increase) in inventories	1,624	(1,627)	(13,783)
Increase in notes and accounts payable – trade	1,431	2,777	23,523
Gain due to increase in capital at affiliates	(58)	–	–
Loss on business restructuring	–	705	5,974
Refund of prior property tax	–	(1,280)	(10,845)
Other, net	(757)	1,884	15,954
Sub total	27,297	27,341	231,531
Interest and dividend income received	525	890	7,543
Interest expense paid	(1,355)	(1,253)	(10,616)
Income taxes paid	(2,583)	(5,827)	(49,349)
Refund of prior property tax received	–	1,280	10,845
Net cash provided by operating activities	23,883	22,431	189,953
Cash flows from investing activities:			
Purchase of investment securities	(682)	(2,401)	(20,336)
Proceeds from sales of investment securities	1,695	4,883	41,353
Purchase of property, plant and equipment	(4,564)	(9,103)	(77,088)
Proceeds from sales of property, plant and equipment	8,500	767	6,499
(Increase) / decrease in short-term loans receivable	(77)	54	465
Proceeds from collection of long-term loans receivable	3	2	24
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	–	587	4,972
Other, net	(1,211)	(652)	(5,527)
Net cash provided by / (used in) investing activities	3,663	(5,861)	(49,637)
Cash flows from financing activities:			
Decrease in short-term bank loans	(3,266)	(3,239)	(27,430)
(Decrease) / increase in commercial paper	(15,000)	1,000	8,468
Proceeds from long-term debt	800	300	2,540
Repayment of long-term debt	(8,271)	(1,740)	(14,737)
Redemption of bonds	–	(10,000)	(84,681)
Dividends paid	(1,864)	(2,788)	(23,616)
Other, net	42	(98)	(838)
Net cash used in financing activities	(27,559)	(16,567)	(140,295)
Effects of exchange rate changes on cash and cash equivalents	215	221	1,874
Net increase in cash and cash equivalents	203	223	1,894
Cash and cash equivalents at beginning of year	3,087	3,290	27,864
Cash and cash equivalents at end of year	¥ 3,290	¥ 3,514	$ 29,759

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements

Nichirei Corporation and Consolidated Subsidiaries

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 Securities 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 Securities and Exchange Law, 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 ¥118.09 = US$1.00, the exchange rate prevailing on March 31, 2007.

Note 2: Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its 65 majority-owned subsidiaries (64 in 2006). All significant intercompany balances, transactions and profits have been eliminated in consolidation.

The excess of cost over underlying net assets at the dates of the investments in the consolidated subsidiaries is included in other assets and is being amortized on the straight-line basis over a period of five years except for immaterial amounts which are charged to income in the year of acquisition.

Investments in all of its 15 affiliates (16 in 2006) are accounted for by the equity method.

(b) Cash Equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in their value attributable to changes in interest rates, are considered cash equivalents.

(c) Securities

Securities are classified into three categories depending upon the holding purpose and accounted for as follows: i) trading securities, which are held for the purpose of earning capital gains in the short-term, are stated at fair market value, with related gain and loss realized on disposal and unrealized gain and loss from market fluctuations recognized as gain or loss in the statement of income in the year of the change; ii) held-to-maturity debt securities, which a company has the positive intent to hold until maturity, are stated at amortized cost; and iii) available-for-sale securities, which are not classified as either of the aforementioned types of securities but are stated at fair market value if such value is available, or, if not, at moving-average cost, with unrealized gain and loss, net of the applicable taxes, reported as a separate component of net assets. Realized gain and loss on sales of such securities are calculated based on the moving-average cost. Securities held by the Company and its consolidated subsidiaries are all classified as available-for-sale securities.

(d) Foreign Currency Translation

All receivables and payables denominated in foreign currencies are translated into yen at the year-end rate.

(e) Translation of Financial Statements of Consolidated Overseas Subsidiaries

In translating the financial statements of the consolidated overseas subsidiaries, the balance sheet accounts are translated at the exchange rate in effect at each year-end except that shareholders' equity accounts are translated at their historical rates. Revenues and expenses are translated at the average rate of exchange prevailing during the year. The resulting differences in translation are presented as translation adjustments and minority interests in net assets.

(f) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated at cost determined by the monthly average-cost method.

Inventories of the consolidated overseas subsidiaries are generally stated at the lower-of-cost-or-market, cost being determined principally by the first-in, first-out method.

(g) Property, Plant and Equipment, Intangible Fixed Assets, and Depreciation

Property, plant and equipment are stated at cost. Depreciation at the Company and its consolidated domestic subsidiaries is computed primarily by the declining-balance method except that the straight-line method is applied to office buildings for lease and to buildings acquired on or after April 1, 1998. Property, plant and equipment are depreciated at rates based on the estimated useful lives of the respective assets, ranging from 3 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment as prescribed in the Corporation Tax Law of Japan.

Depreciation at all foreign consolidated subsidiaries is computed by the straight-line method, subject to local rules, at rates based on the estimated useful lives of the respective assets.

Intangible assets are amortized by the straight-line method.

(h) Allowance for Doubtful Accounts

Allowance for doubtful accounts are provided based on the actual historical default rate for normal loans, and based on individually assessed amounts for doubtful and default loans.

(i) Accrued Directors' Bonuses

For directors' bonuses, provisions are calculated based on the estimated bonuses to be paid in the following year.

(j) Employees' Severance and Retirement Benefits

Accrued retirement benefits for employees are stated principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 10 years.

Unrecognized prior service cost is amortized using the straight-line method over certain years (10 years) within the employees' average remaining service period at incurrence.

(k) Directors' and Statutory Auditors' Retirement Benefits

Accrued retirement benefits for directors and statutory auditors are provided at the amount to be paid if all eligible directors and statutory auditors would have been retired at the balance sheet date.

At the general meeting of the shareholders on June 27, 2006, it was resolved that retirement benefits accrued for previous years would be paid to the directors and statutory auditors being appointed at the end of the general meeting when they retire.

(l) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Net Income per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds.

"Diluted net income per share" for the years ended March 31, 2006 and 2007 are not presented because there were no bonds to be converted to shares at the year ends.

(n) Leases

Non-cancelable finance leases are accounted for as operating leases except that lease agreements which stipulate the transfer of the ownership of the leased assets to the lessee are accounted for as finance leases.

(o) Goodwill and Negative Goodwill

Consolidation goodwill and negative consolidation goodwill is amortized over a period not exceeding 20 years, determined in consolidation of the source of goodwill. Minor consolidation goodwill is expensed in the year it arises.

Note 3: Accounting Change

"Accounting Standard for Directors' Bonus" (Financial Accounting Standard No.4, issued by The Accounting Standards Board of Japan on November 29, 2005) has been adopted for directors' bonuses declared on or after May 1, 2006. The application of the new standard had minimum impact on the Company's results of operation.

Note 4: Inventories

Inventories as of March 31, 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Finished goods and merchandise	¥ 28,083	¥ **29,229**	$ **247,516**
Raw materials and supplies	2,953	**3,372**	**28,557**
	¥ 31,037	¥ **32,601**	$ **276,074**

Note 5: Securities

a) The following table summarizes the acquisition costs, book value and net unrealized gain on the available-for-sale securities as of March 31, 2006 and 2007.

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Acquisition costs:			
Equity securities	¥ 8,115	¥ **10,973**	$ **92,927**
Bond	100	**–**	**–**
	¥ 8,215	¥ **10,973**	$ **92,927**
Book value:			
Equity securities	¥ 21,147	¥ **23,588**	$ **199,752**
Bond	100	**–**	**–**
	¥ 21,247	¥ **23,588**	$ **199,752**
Net unrealized gain:			
Equity securities	¥ 13,031	¥ **12,615**	$ **106,825**
Bond	0	**–**	**–**
	¥ 13,031	¥ **12,615**	$ **106,825**

b) Information regarding sales of securities for the years ended March 31, 2006 and 2007 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Proceeds from sales	¥ 1,600	¥ **31**	$ **269**
Gains on sales	970	**20**	**175**
Losses on sales	6	**–**	**–**

c) The following table shows the aggregate book value of available-for-sale securities with no available fair value as of March 31, 2006 and 2007:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Non-listed equity securities	¥ 4,237	¥ **4,030**	$ **34,132**

Note 6: Impairment of Fixed Assets

For the purpose of identifying fixed assets that are impaired, the Company grouped their fixed assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or group of assets. As a result, each of the following assets was assessed for impairment individually.

(1) For the year ended March 31, 2006

Due to significant decrease in market prices, continuing loss from the operation and the decision not to use those assets, the Company reduced book value of the assets to recoverable amounts, and recognized the reduced values as impairment losses amounting to ¥4,153 million for the year ended March 31, 2006. Net realized values are calculated based on real-estate appraisal or assessed value for property tax. Recoverable amounts are measured by net realizable values or values in current uses. Values in current use are calculated based on the present values of future cash flows, using discount rate of 5%.

Primary use	Type of asset	Location	Impairment loss	Collectible value
			Millions of yen	
Idle assets	Land	Saizyo City, Ehime prefecture, etc	¥ 164	Market value
	Intangible asset	Chuo-ku, Tokyo, etc	6	
Leasing assets	Land	Izumisano City, Osaka prefecture	1,134	
		Higashimurayama City, Tokyo	328	
	Leasing assets	Kanazawa-ku, Yokohama City	1,205	Value in use
		Konohana-ku, Osaka City	738	
Assets for Pro Serve	Leasing assets	Fujimicho, Suwashigun, Nagano prefecture	461	
	Intangible asset		0	
Distribution center (To be closed)	Building and structure	Chuo-ku, Sapporo City	70	
	Machinery and equipment		16	
	Intangible asset		1	
Welfare facilities (To be closed)	Building and structure	Yamanouchimachi, Shimotakaigun, Nagano prefecture	24	Market value
	Intangible asset		0	

(2) For the year ended March 31, 2007

Due to the decision not to use those assets and continuing loss from the operation, the Company reduced book value of the assets to recoverable amounts, and recognized the reduced values as impairment losses amounting to ¥734 million ($6,221 thousand) for the year ended March 31, 2007. Net realized values are calculated based on real-estate appraisal or assessed value for property tax. Recoverable amounts are measured by net realizable values or values in current uses. Values in current use are calculated based on the present values of future cash flows, using discount rate of 5%.

Nichirei Holding Holland B.V. and Eurofrigo Venlo B.V., wholly subsidiaries of the Company recognized ¥461 million ($3,912 thousand) of impairment loss on the goodwill and building and structure for the year ended March 31, 2007 in accordance with accounting principles generally accepted in Holland.

Primary use	Type of asset	Location	Impairment loss		Collectible value
			Millions of yen	*Thousands of U.S. dollars*	
Distribution center (To be closed)	Building and structure	Kushiro City, Hokkaido prefecture	¥ 17	$ 149	Value in use
		Kushimotocho higashi-muro gun, Wakayama prefecture	50	426	
		Cyuo-ku, Fukuoka city, Fukuoka prefecture	31	268	
		Shimonoseki City, Yamaguchi prefecture	27	231	
	Machinery and equipment	Kushiro City, Hokkaido prefecture	17	152	
		Kushimotocho higashi-muro gun, Wakayama prefecture	18	159	
		Cyuo-ku, Fukuoka city, Fukuoka prefecture	44	377	
		Shimonoseki City, Yamaguchi prefecture	41	351	
		Cyuo-ku, Fukuoka city, Fukuoka prefecture, etc	2	17	
	Intangible asset	Cyuo-ku, Fukuoka city, Fukuoka prefecture, etc	2	23	
Biosciences	Long-term prepaid expenses	Cyuo-ku, Tokyo	480	4,064	

Note 7: Short-Term Bank Loans and Long-Term Debt

Short-term bank loans represent notes maturing within one year. The weighted average interest rates of all outstanding short-term borrowings as of March 31, 2006 and 2007 were 1.353% and 1.927%, respectively.

Long-term debt as of March 31, 2006 and 2007 are summarized as follows. (The given interest rates, which may be denominated in more than one currency, are calculated after consideration of the related interest-rate swaps or currency swaps utilized as hedges.):

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
The Company:			
0.97% bonds due 2006	¥ 10,000	¥ –	$ –
0.99% bonds due 2007	10,000	**10,000**	**84,681**
1.43% bonds due 2008	5,000	**5,000**	**42,340**
1.42% bonds due 2009	10,000	**10,000**	**84,681**
Unsecured loans, principally from banks and life insurance companies	32,875	**32,843**	**278,125**
Secured loans, principally from government-sponsored agencies	400	**358**	**3,034**
Consolidated subsidiaries:			
Loans, principally from banks	4,932	**3,646**	**30,879**
Less current portion	(11,645)	**(12,556)**	**(106,333)**
	¥ 61,562	**¥ 49,291**	**$ 417,407**

The aggregate annual maturities of long-term debt outstanding as of March 31, 2007 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2008	¥ 12,556	$ 106,333
2009	11,088	93,894
2010	35,356	299,404
2011	663	5,618
2012 and thereafter	2,183	18,490
	¥ 61,848	$ 523,741

The assets pledged as collateral for long-term debt as of March 31, 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Property, plant and equipment	¥ 7,192	**¥ 6,333**	**$ 53,635**
Investment securities	765	**565**	**4,786**
Other assets	352	**352**	**2,985**
	¥ 8,310	**¥ 7,251**	**$ 61,407**

Note 8: Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and capital reserve account equals 25% of the common stock account. The legal reserve amounted to ¥39 million ($334 thousand) as of March 31, 2006 and 2007.

The Code provides that neither capital reserve nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. If the total amount of capital reserve and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. There are minimum impact on the Company's operation by the change.

Changes in shareholders' equity for the year ended March 31, 2007 were as follows:

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

Issued stock

Type of stock	Number of shares As of March 31, 2006	Increases	Decreases	Number of shares As of March 31, 2007
Common stock (shares)	310,851,065	–	–	310,851,065

Treasury stock

Type of stock	Number of shares As of March 31, 2006	Increases	Decreases	Number of shares As of March 31, 2007
Common stock (shares)	675,509	100,139	11,576	764,072

(Reasons for changes)

The increases in number of shares were resulted from the following:

Request for redemption of odd-lot stock 100,096 shares

Number of shares of treasury stock issued by the Company acquired by affiliates, adjusted for the Company's share in equity of the affiliates 43 shares

The decreases in number of shares were resulted from the following:

Request for additional purchase of odd-lot stock 11,576 shares

(2) Cash dividends distributed

Dividends paid during the fiscal year ended March 31, 2007

Resolution	Type of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting on June 27, 2006	Common stock	¥1,861	¥6*	March 31, 2006	June 28, 2006
Directors' meeting on October 31, 2006	Common stock	930	3	September 30, 2006	December 5, 2006

* Including commemorative dividends of ¥3.

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 (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General shareholders' meeting on June 26, 2007	Common stock	Retained earnings	¥1,551	¥5	March 31, 2007	June 27, 2007

Note 9: Other Income (Expenses)

Other income (expenses) for the years ended March 31, 2006 and 2007 consisted primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Gain on sales of property, plant and equipment	¥ 5,453	¥ **643**	$ **5,448**
Gain on sales of investment securities	970	**20**	**175**
Loss on sales and disposal of property, plant and equipment	(3,029)	**(799)**	**(6,768)**
Impairment loss on fixed assets *(Note 6)*	(4,153)	**(1,196)**	**(10,133)**
Loss on discontinued operations	(1,439)	**(405)**	**(3,436)**
Loss on devaluation of investment securities	–	**(163)**	**(1,380)**
Special retirement benefits paid	(530)	**–**	**–**
Other, net	904	**3,688**	**31,236**
	¥ (1,822)	¥ **1,788**	$ **15,141**

Note 10: 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 40.6% for the years ended March 31, 2006 and 2007. The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2007 differ from the statutory tax rate for the following reasons:

	2006	2007
Statutory tax rate	40.6%	**40.6%**
Entertainment and other non-deductible expenses	1.8	**1.6**
Dividends and other non-taxable income	–	**0.5**
Elimination of dividends received from overseas affiliates	–	**0.4**
Undistributed earnings of affiliates	1.3	**–**
Equity in earnings of affiliates	(3.3)	**(0.8)**
Inhabitant per capita taxes	0.9	**0.6**
Change in valuation allowance	7.3	**–**
Other, net	2.8	**0.1**
Effective tax rates	51.3%	**43.0%**

The components of deferred tax assets and deferred tax liabilities as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred tax assets:			
Impairment loss on fixed assets	¥ 1,645	¥ 1,756	$ 14,872
Establishment of employees' retirement benefit trust	6,309	6,096	51,623
Excess allowance for employees' retirement benefits	1,132	1,057	8,956
Net operating loss carry forwards	3,522	1,788	15,148
Loss on devaluation of investment securities	–	337	2,854
Accrued employees' bonus	712	757	6,418
Inventories – unrealized profits and write-downs	120	–	–
Property, plant and equipment – unrealized profits and losses	530	582	4,935
Allowance for doubtful accounts	182	124	1,052
Depreciation	659	486	4,120
Other	2,252	2,196	18,601
Total gross deferred tax assets	17,069	15,184	128,582
Less valuation allowance	(2,637)	(2,745)	(23,248)
Deferred tax assets	14,431	12,438	105,334
Deferred tax liabilities:			
Net unrealized holding gain on securities	(5,287)	(4,817)	(40,794)
Gain on securities contributed to employees' retirement benefit trust	(3,135)	(2,600)	(22,025)
Reserve and special reserve for advanced depreciation of property, plant and equipment	(1,928)	(1,990)	(16,852)
Other, net	(2,448)	(3,342)	(28,307)
Deferred tax liabilities	(12,799)	(12,751)	(107,980)
Net deferred tax assets	¥ 1,632	¥ (312)	$ (2,645)

Note 11: Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2006 and 2007, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Acquisition costs	¥ 43,651	¥ 43,894	$ 371,702
Less accumulated depreciation	(16,432)	(18,413)	(155,926)
Less accumulated impairment loss	(2,405)	(2,405)	(20,371)
Net book value	¥ 24,812	¥ 23,075	$ 195,404

Future minimum lease payments subsequent to March 31, 2007 on finance leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Future lease payments:		
One year or less	¥ 3,608	$ 30,558
More than one year	22,850	193,503
Total	¥ 26,459	$ 224,061

Future minimum lease payments and income subsequent to March 31, 2007 on noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Future lease payments:		
One year or less	¥ 1,710	$ 14,483
More than one year	19,321	163,617
Total	¥ 21,031	$ 178,101

	Millions of yen	Thousands of U.S. dollars
Future lease income:		
One year or less	¥ 3,457	$ 29,279
More than one year	9,159	77,560
Total	¥ 12,616	$ 106,840

Note 12: Derivative Financial Instruments

The Company and its consolidated subsidiaries enter into forward foreign exchange contracts, coupon swaps, interest rate swaps and other derivatives primarily to manage the risks associated with the exposure of their assets and liabilities to adverse fluctuations in the underlying markets.

The Company and its consolidated subsidiaries also use these agreements for the purpose of lowering their funding costs, accessing a variety of funding resources and locking in yields while investing in fixed income markets. Under no circumstances, however, do the Company and its consolidated subsidiaries use derivatives for speculative trading purposes.

Because of their purpose as hedges and the high correlation between the hedging instruments and the underlying hedged items, all gains and losses on derivatives positions are deferred in order to offset the reciprocal changes in the value of the underlying items.

No derivative positions remained outstanding as of March 31, 2006 and 2007.

Note 13: Contingent Liabilities

As of March 31, 2007, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of affiliates	¥ 2,527	$ 21,403
As guarantor of indebtedness of employees	116	983
Total	¥ 2,643	$ 22,387

Note 14: Research and Development Expenses and Advertising Costs

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2006 and 2007 were ¥2,042 million and ¥2,034 million ($17,231 thousand), respectively.

Advertising costs included in selling, general and administrative expenses for the years ended March 31, 2006 and 2007 were ¥3,896 million and ¥4,386 million ($37,141 thousand), respectively.

Note 15: Accrued Directors', Statutory Auditors' and Employees' Retirement Benefits

Accrued directors', statutory auditors' and employees' retirement benefits as of March 31, 2006 and 2007 are comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Employees' retirement benefits	¥ 3,275	¥ 3,037	$ 25,720
Directors' and statutory auditors' retirement benefits	504	221	1,874
Total	¥ 3,780	¥ 3,258	$ 27,594

The Company and certain number of its consolidated domestic subsidiaries have defined-benefit pension plan (cash balance plan) and defined-contribution pension plan that cover substantially all their employees after one year of service. Upon retirement for reasons other than dismissal for cause, eligible employees are entitled to lump-sum payments or tax qualified pension plan based on their earnings and years of service. On occasion, the Company may also provide programs that entitle employees to additional supplemental benefits as an early retirement incentive.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2006 and 2007 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Projected retirement benefit obligation	¥ 19,860	¥ 19,783	$ 167,526
Fair value of plan assets	(32,425)	(29,441)	(249,313)
Unrecognized actuarial gain	10,139	5,415	45,858
Unrecognized prior service cost	1,842	1,616	13,685
Prepaid pension cost	3,857	5,664	47,963
Accrued employees' retirement benefits	¥ 3,275	¥ 3,037	$ 25,720

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Service cost	¥ 1,725	¥ 1,291	$ 10,939
Interest cost	302	329	2,789
Expected return on plan assets	(112)	(148)	(1,259)
Amortization of prior service cost	(204)	(202)	(1,713)
Amortization of unrecognized actuarial loss / (gain)	343	(762)	(6,452)
Other	163	225	1,913
Retirement benefits expenses	¥ 2,218	¥ 734	$ 6,217

The actuarial assumptions used for the years ended March 31, 2006 and 2007 are set forth as follows:

	2006	2007
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	2.0%	2.0%
Amortization period of unrecognized actuarial gain / loss	10 years	10 years
Amortization period of unrecognized prior service cost	10 years	10 years

Note 16: Per Share Information

Net assets per share is calculated based on the followings:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Net assets	¥ 103,255	¥ 113,071	$ 957,505
Net assets attributable to common stock at the fiscal year end	102,483	111,035	940,259
Amounts excluded from net assets			
Minority interest	630	2,036	17,246
Director's bonuses by appropriation of retained earnings	141	–	–
Number of common stock at the fiscal year end used for the calculation on net assets per share (in thousand)	310,175	310,086	–

Net income per share is calculated based on the followings:

	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Net income	¥ 6,293	¥ 10,845	$ 91,837
Net income attributable to common stock at the fiscal year end	6,152	10,845	91,837
Amounts not available to common shareholders			
Directors' bonuses by appropriation of retained earnings	141	–	–
Average number of common stock during the fiscal year (in thousand)	310,208	310,132	–

Note 17: Segment Information

The Company and its consolidated subsidiaries are engaged in the following six segments: processed foods, marine products, meat and poultry products, logistics, real estate and other. Processed foods mainly comprises production, processing and sales of frozen foods, retort-pouch foods and other processed foods. Marine products mainly comprises processing and sales of marine products. Meat and poultry products mainly comprises processing and sales of meat and poultry products. Logistics mainly comprises refrigerated storage, distribution and transportation of fresh, chilled and frozen foods. Real estate comprises the leasing of office buildings and other. Other comprises the diagnostic medicine business and other.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2007 was summarized as follows:

	Year ended March 31, 2006 (Millions of yen)								
	Processed foods	*Marine products*	*Meat and poultry products*	*Logistics*	*Real estate*	*Other*	*Total*	*Intercompany eliminations and corporate*	*Consolidated*
Operating revenues	¥ 183,904	¥ 78,856	¥ 80,984	¥ 111,650	¥ 8,583	¥ 5,431	¥ 469,411	¥ –	¥ 469,411
Intercompany sales and transfers	939	2,211	3,657	15,427	1,438	3,299	26,975	(26,975)	–
Total	184,844	81,068	84,641	127,077	10,022	8,731	496,386	(26,975)	469,411
Operating expenses	179,390	82,728	84,331	121,252	3,875	8,673	480,251	(26,854)	453,397
Operating income	5,454	(1,659)	309	5,825	6,146	58	16,135	(121)	16,014
Total assets	¥ 69,956	¥ 24,546	¥ 15,160	¥ 106,567	¥ 29,276	¥ 7,167	¥ 252,674	¥ 15,827	¥ 268,501
Depreciation and amortization	¥ 2,167	¥ 85	¥ 42	¥ 6,499	¥ 846	¥ 247	¥ 9,888	¥ 886	¥ 10,775
Impairment loss on fixed assets	0	–	–	89	3,572	462	4,124	28	4,153
Capital expenditures	¥ 2,766	¥ 133	¥ 42	¥3,749	¥ 425	¥ 79	¥ 7,197	¥ 299	¥ 7,496

	Year ended March 31, 2007 (Millions of yen)								
	Processed foods	*Marine products*	*Meat and poultry products*	*Logistics*	*Real estate*	*Other*	*Total*	*Intercompany eliminations and corporate*	*Consolidated*
Operating revenues	**¥ 176,799**	**¥ 73,480**	**¥ 77,984**	**¥ 119,243**	**¥ 6,487**	**¥ 3,659**	**¥ 457,655**	**¥ –**	**¥ 457,655**
Intercompany sales and transfers	**506**	**1,177**	**2,925**	**14,829**	**1,394**	**3,313**	**24,147**	**(24,147)**	**–**
Total	**177,305**	**74,657**	**80,910**	**134,073**	**7,882**	**6,972**	**481,802**	**(24,147)**	**457,655**
Operating expenses	**171,287**	**75,011**	**80,260**	**126,846**	**3,416**	**6,832**	**463,654**	**(24,148)**	**439,506**
Operating income	**6,018**	**(353)**	**649**	**7,227**	**4,465**	**140**	**18,148**	**0**	**18,148**
Total assets	**¥ 74,156**	**¥ 26,646**	**¥ 16,380**	**¥ 106,391**	**¥ 21,306**	**¥ 5,964**	**¥ 250,845**	**¥ 18,320**	**¥ 269,166**
Depreciation and amortization	**¥ 2,484**	**¥ 73**	**¥ 41**	**¥ 5,576**	**¥ 766**	**¥ 185**	**¥ 9,128**	**¥ 401**	**¥ 9,529**
Impairment loss on fixed assets	**–**	**–**	**–**	**716**	**–**	**480**	**1,196**	**–**	**1,196**
Capital expenditures	**¥ 4,321**	**¥ 95**	**¥ 71**	**¥ 4,268**	**¥ 421**	**¥ 47**	**¥ 9,225**	**¥ 525**	**¥ 9,751**

	Year ended March 31, 2007 (Thousands of U.S. dollars)								
	Processed foods	*Marine products*	*Meat and poultry products*	*Logistics*	*Real estate*	*Other*	*Total*	*Intercompany eliminations and corporate*	*Consolidated*
Operating revenues	**$ 1,497,156**	**$ 622,238**	**$ 660,385**	**$ 1,009,770**	**$ 54,936**	**$ 30,989**	**$ 3,875,476**	**$ –**	**$ 3,875,476**
Intercompany sales and transfers	**4,291**	**9,972**	**24,771**	**125,581**	**11,810**	**28,055**	**204,483**	**(204,483)**	**–**
Total	**1,501,447**	**632,211**	**685,156**	**1,135,352**	**66,746**	**59,045**	**4,079,960**	**(204,483)**	**3,875,476**
Operating expenses	**1,450,482**	**635,202**	**679,654**	**1,074,147**	**28,934**	**57,857**	**3,926,279**	**(204,488)**	**3,721,790**
Operating income	**50,964**	**(2,991)**	**5,501**	**61,205**	**37,812**	**1,187**	**153,680**	**5**	**153,685**
Total assets	**$ 627,969**	**$ 225,644**	**$ 138,708**	**$ 900,934**	**$ 180,426**	**$ 50,504**	**$ 2,124,188**	**$ 155,141**	**$ 2,279,330**
Depreciation and amortization	**$ 21,040**	**$ 623**	**$ 352**	**$ 47,223**	**$ 6,491**	**$ 1,569**	**$ 77,301**	**$ 3,397**	**$ 80,699**
Impairment loss on fixed assets	**–**	**–**	**–**	**6,069**	**–**	**4,064**	**10,133**	**–**	**10,133**
Capital expenditures	**$ 36,595**	**$ 805**	**$ 601**	**$ 36,150**	**$ 3,568**	**$ 403**	**$ 78,125**	**$ 4,449**	**$ 82,575**

Note 18: Related Party Transactions

Related party transactions for the years ended March 31, 2006 and 2007 were as follows:

(1) For the year ended March 31, 2006

(Amounts in Millions of yen)

Category	Name	Address	Capital Investment	Description of business	Voting interest	Description of transactions	Amount of transaction (*1)
Affiliate	Kyoto Hotel	Tyukyo-ku Kyoto city	¥950	Hotel and restaurant	Direct 19.7%	Guarantor of indebtedness	¥2,531

(*1) The Company guarantees the bank borrowings of the affiliate. The amount of transaction represents the outstanding guarantee balance as of March 31, 2006.

(2) For the year ended March 31, 2007

(Amounts in Millions of yen or Thousands of U.S. dollars)

Category	Name	Address	Capital Investment	Description of business	Voting interest	Description of transactions	Amount of transaction (*2)
Affiliate	Kyoto Hotel	Tyukyo-ku Kyoto city	¥950 $ (8,044)	Hotel and restaurant	Direct 19.7%	Guarantor of indebtedness	¥2,427 $ (20,552)

(*2) The Company guarantees the bank borrowings of the affiliate. The amount of transaction represents the outstanding guarantee balance as of March 31, 2007.

ERNST & YOUNG SHINNIHON

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Report of Independent Auditors

The Board of Directors
Nichirei Corporation

We have audited the accompanying consolidated balance sheets of Nichirei Corporation and consolidated subsidiaries as of March 31, 2006 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nichirei Corporation and consolidated subsidiaries at March 31, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

June 26, 2007

Ernst & Young ShinNihon

A MEMBER OF ERNST & YOUNG GLOBAL

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* Affiliates accounted for by the equity method

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Established
December 1, 1945

Common Stock Listing
Nichirei's common stocks are listed on the following exchanges:
Tokyo, Osaka
(Code: 2871)

Paid-in Capital
¥30,307 million

No. of Shareholders (who possess 1,000 shares or more)
29,038

Common Stock
Authorized 720,000,000 shares
Outstanding 310,851,065 shares

No. of Full-Time Employees
5,711

Shareholder Register Administrator
Mizuho Trust & Banking Co., Ltd.
Stock Transfer Agency Division
TEL: 81(3)3642 4004

Annual Meeting of Shareholders
The annual meeting of shareholders is normally held in June each year in Tokyo, Japan.

Independent Auditors
Ernst & Young ShinNihon

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