ANNUAL REPORT 2008
Year Ended March 31, 2008

Responding Rapidly for Growth

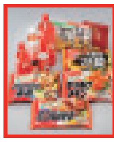
NICHIREI

PROFILE

Diagram of Holding Company System

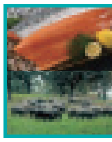
Holding Company Nichirei Corporation

Real Estate Business, Horticulture Business, Quality Assurance / Corporate Internal Audit / Corporate Staff



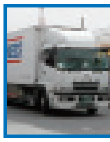
Nichirei Foods Inc.

15 Subsidiaries and 3 Affiliates



Nichirei Fresh Inc.

7 Subsidiaries and 1 Affiliate



Nichirei Logistics Group Inc.

37 Subsidiaries and 5 Affiliates

Nichirei Biosciences Inc.

Nichirei Proserve Inc.

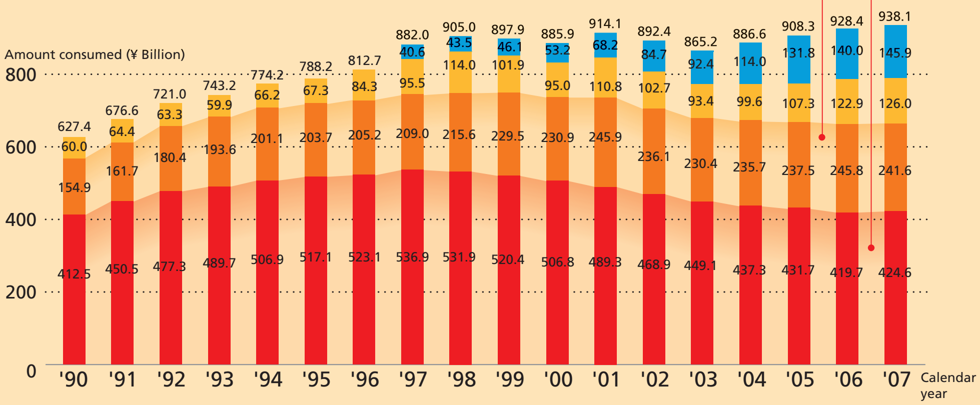
7 Subsidiaries and 6 Affiliates

NICHIREI'S MARKET POSITION

Frozen Foods Business

1 Despite slower growth in sales of products for household use, the overall market for frozen foods is still growing. In recent years, supermarkets have been using frozen foods as loss leaders to attract customers, so it has become normal to see them sold at 40-50% discounts.

2 Growth in commercial use products has virtually come to a halt. At one time there was rapid growth in products whose production we had shifted to countries such as China or Thailand, but that growth has run its course.



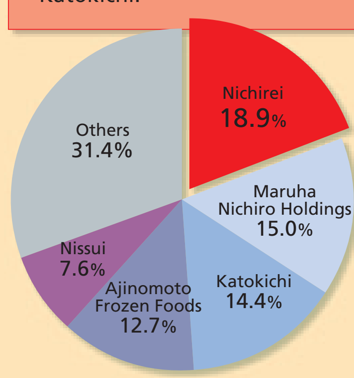
Trends in Japanese Frozen Foods Markets

■ Commercial use ■ Household use ■ Frozen vegetable Imports ■ Prepared food Imports

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

Market Shares in Japanese Frozen Food Market in 2007

3 Although major food companies have entered the market and the industry has undergone a good deal of reorganization, Nichirei climbed to number one in terms of market share in 2007, as the share of the top three companies changed significantly, mainly in reaction to misconduct involving Katokichi.



Source: Nikkei Business Daily

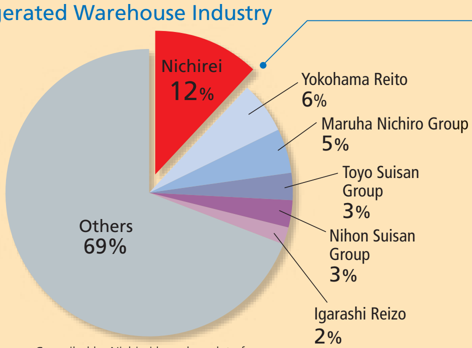
Contents

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, 71 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.

Refrigerated Storage Business

Storage Capacity Shares in Japanese Refrigerated Warehouse Industry

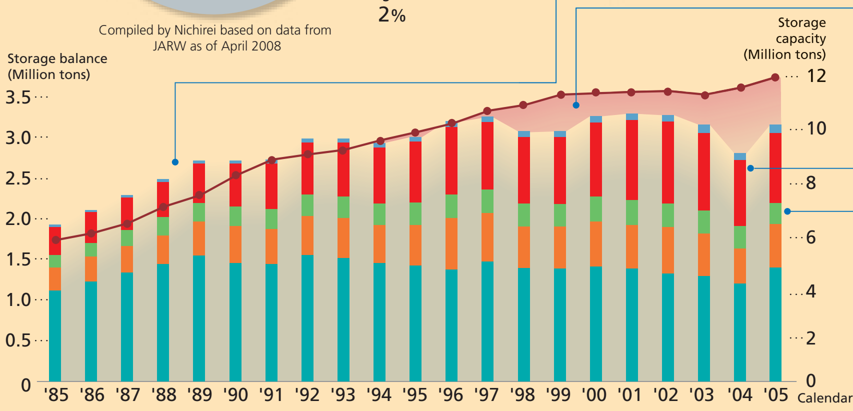


Compiled by Nichirei based on data from JARW as of April 2008

1 Nichirei has by far the largest share of refrigerated storage capacity in Japan.

2 In the ten years from 1985 to 1995, a strong yen and liberalization of trade regulations supported expansion in food imports, and storage capacity at refrigerated warehouses increased greatly.

3 Since 1995, food imports slowed down as the yen weakened. However, capital investment in refrigerated warehouses continued until 2000, resulting in a gap between supply and demand that made for a poor business environment.



4 Even after that, shippers continued to decrease their inventories, for example by boosting supply chain efficiency and constructing wide area logistics systems, making the refrigerated storage business environment much worse.

5 Nichirei reorganized itself in April 2004. Recognizing that the refrigerated storage business is a mature industry, we split the business into separate, local operating companies. By reinforcing local sales capacity and cutting costs by reviewing our salary system and trimming the workforce, we restored the business's performance.

Storage Capacities of Refrigerated Warehouses and Storage Balances by Category

Marine raw materials | Livestock raw materials | Agricultural raw materials | Frozen foods and processed foods | Others | Storage capacity

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

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," "strategies," "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 gain benefits through alliances with other companies;
7) effect of natural disasters; and
8) serious and unpredictable effects that may be caused by future events.
9) contingency risks.

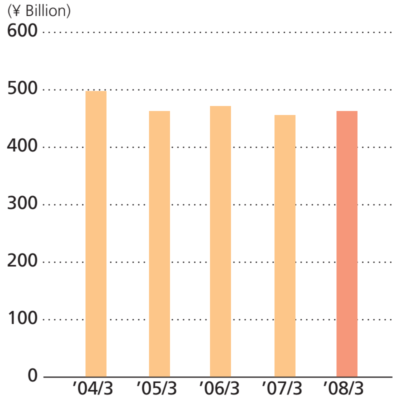
Financial Highlights

Nichirei Corporation and Consolidated Subsidiaries
For the years ended March 31

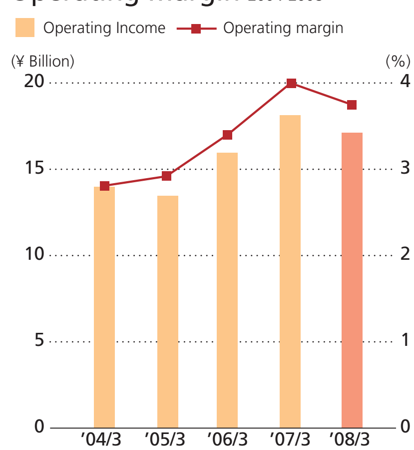
Improved D/E ratio from 1.91 to 0.66 by halving interest-bearing debt, and reached the target that was set for strengthening the balance sheet

	1999	2000	2001	2002
Income Statement Data (¥ Million)				
Net sales	¥ 571,775	¥ 569,482	¥ 560,006	¥ 558,191
Gross profit	94,082	103,840	103,884	99,482
Operating income	8,046	16,973	18,596	14,016
Income (loss) before income taxes and minority interests	2,406	7,979	6,503	5,235
Net income (loss)	233	4,326	4,020	4,062
Balance Sheet Data (¥ Million)				
Total assets	¥ 365,838	¥ 370,623	¥ 367,770	¥ 353,385
Interest-bearing debt	195,994	194,840	172,704	167,439
Total liabilities	284,777	287,008	277,229	264,728
Shareholders' equity*5	80,567	82,624	89,395	87,649
Other Selected Data (¥ Million)				
Capital expenditures	¥ 11,103	¥ 31,310	¥ 11,672	¥ 10,282
R&D expenditures	2,554	2,339	2,238	2,294
Per Share Data (¥)				
Net income – basic	¥ 0.74	¥ 13.91	¥ 12.93	¥ 13.06
Cash dividends	6	6	6	6
Shareholders' equity*5	259.18	265.80	287.58	282.00
Financial Ratios (%, Times)				
Gross profit margin	16.45%	18.23%	18.55%	17.82%
Operating margin	1.41	2.98	3.32	2.51
Return on equity (ROE)	0.3	5.3	4.7	4.6
Debt-to-equity	2.43	2.36	1.93	1.91

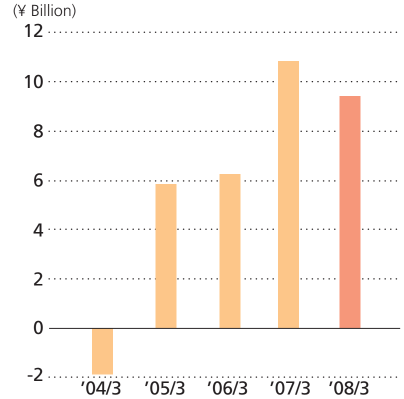
Net Sales 2004-2008



Operating Income & Operating Margin 2004-2008



Net Income or Loss 2004-2008



Increased shareholders' equity in order to build a management base that will guide Nichirei onto a long-term growth track

Gradually increased capital expenditures to promote growth

2003	2004	2005	2006	2007	2008	Percent change 2008/2007	2008
							Thousands of U.S. dollars
¥ 563,440	¥ 496,611	¥ 461,426	¥ 469,411	¥ 457,655	¥ 463,591	1.3%	$ 4,626,664
102,121	95,510	88,836	91,577	88,799	89,794	1.1	896,154
18,275	13,976	13,482	16,014	18,148	17,355	(4.4)	173,208
9,377	(3,817)	10,830	13,138	19,200	16,472	(14.2)	164,394
5,216	(1,891)	5,878	6,293	10,845	9,623	(11.3)	96,040
							Thousands of U.S. dollars
¥ 330,703	¥ 284,700	¥ 276,417	¥ 268,501	¥ 269,166	¥ 257,812	(4.2)%	$ 2,572,978
145,394	124,388	111,984	86,209	72,971	66,138	(9.4)	660,069
238,925	194,010	181,779	165,246	156,094	141,323	(9.5)	1,410,415
90,666	90,176	94,007	102,624	111,035	114,262	2.9	1,140,340
							Thousands of U.S. dollars
¥ 9,537	¥ 6,848	¥ 6,397	¥ 7,496	¥ 9,751	¥ 7,770	(20.3)%	$ 77,547
2,279	2,090	2,075	2,042	2,034	2,050	0.8	20,459
							U.S. dollars
¥ 16.16	¥ (6.28)	¥ 18.45	¥ 19.83	¥ 34.97	¥ 31.04	(11.2)%	$ 0.310
6	6	6	9	8	8	0.0	0.080
291.46	290.38	302.50	330.40	358.08	368.56	2.9	3.678
18.12%	19.23%	19.25%	19.51%	19.40%	19.37%	–	–
3.24	2.81	2.92	3.41	3.97	3.74	–	–
5.9	(2.1)	6.4	6.4	10.1	8.5	–	–
1.60	1.38	1.19	0.84	0.66	0.58	–	–

Medium-Term Plan (2002-2004) Medium-Term Plan (2005-2007) Medium-Term Plan (2008-2010)

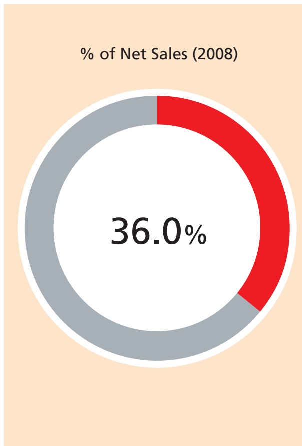
Improved gross profit margins and operating margins thanks to "Select and Focus" to narrow product lines

Improved profit margins further by concentrating on Processed Foods and Logistics as Nichirei's core businesses

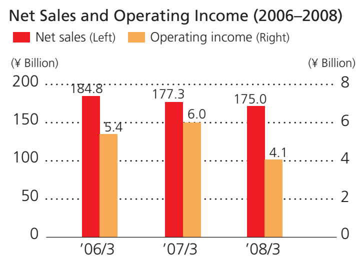
Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥100.20=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2008.
2. For the year ended March 31, 2008, seven subsidiaries were included and one were excluded from consolidation, resulting in a total of 71 consolidated subsidiaries. In addition, an affiliate was newly accounted for while an affiliate 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 2006 and thereafter = net assets – minority interests.

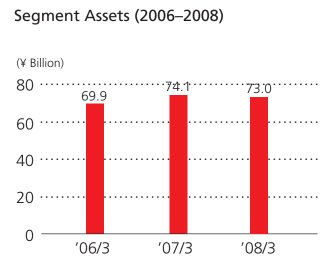
Nichirei at a Glance

Processed Foods (Nichirei Foods Inc.)

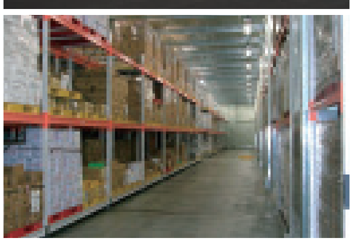


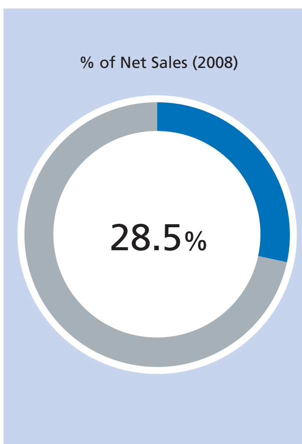
Processed Foods is one of Nichirei's core operations. It includes frozen foods, an industry Nichirei leads in Japan, acerola-based beverages, retort-pouch foods, canned foods and health foods. Nichirei has established a comprehensive quality-assurance system that covers everything from product development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



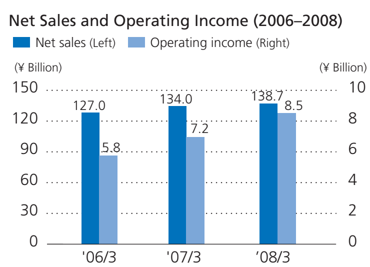


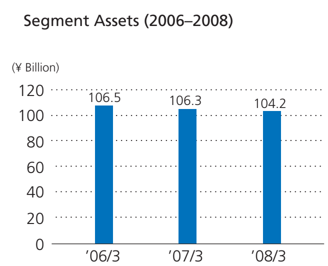
Logistics (Nichirei Logistics Group Inc.)



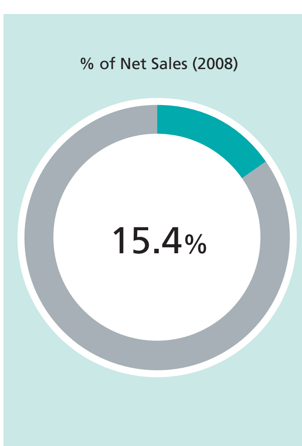


Logistics is Nichirei's other core operation. In addition to providing a wide range of logistics functions such as refrigerated warehousing, sorting, transportation and delivery, Nichirei combines those functions to offer solutions for optimizing customers' overall logistics flow. With market share that ranks No. 1 in Japan and No. 5 worldwide, Nichirei has secured a solid position in the refrigerated warehousing business.

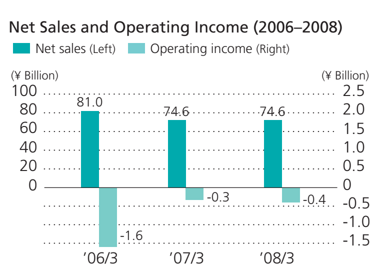


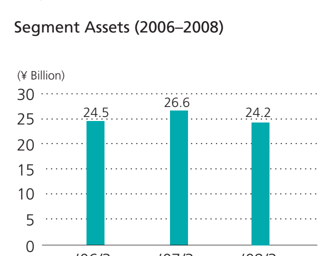


Marine Products (Nichirei Fresh Inc.)

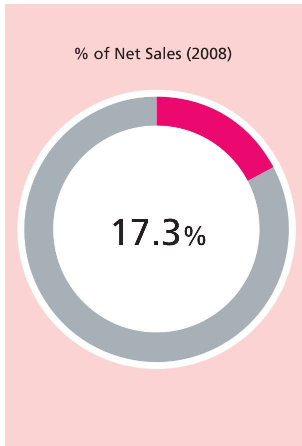


In Marine Products, Nichirei imports and sells seafood procured from around the world. Net sales compare with those of Japan's leading marine products companies, with Nichirei being especially strong in the handling of several items such as shrimp, herring roe and octopus. Nichirei is enhancing its line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



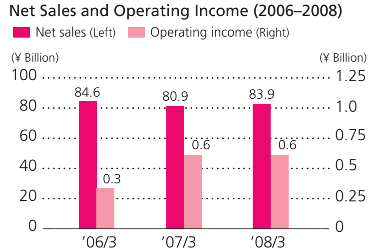


Meat and Poultry Products (Nichirei Fresh Inc.)

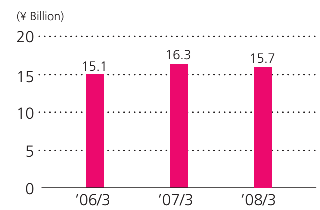


In Meat and Poultry Products, Nichirei provides large retailers and restaurants with poultry, pork and beef procured from established partners in Japan and overseas. Nichirei is committed to delivering products that are delicious, safe, reliable, healthful and environmentally friendly.

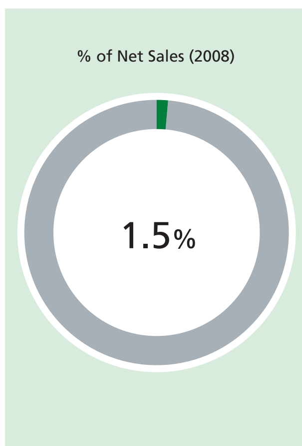
Net Sales and Operating Income (2006–2008)



Segment Assets (2006–2008)

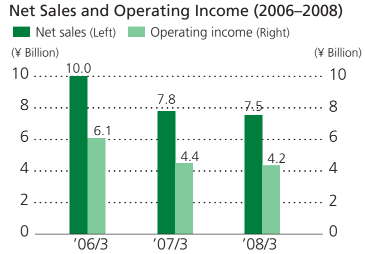


Real Estate (Nichirei Corporation)

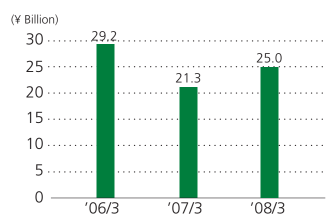


The purpose of Nichirei's real estate operations is to make effective use of company-owned properties. Nichirei plans and executes projects that best suit the location, surroundings and social circumstances of company-owned properties all around Japan. Currently, we develop and lease office buildings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

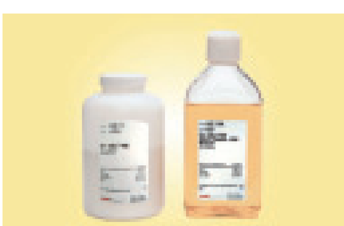
Net Sales and Operating Income (2006–2008)

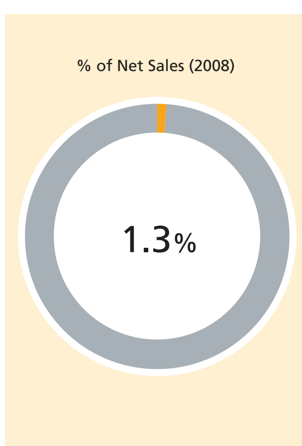


Segment Assets (2006–2008)



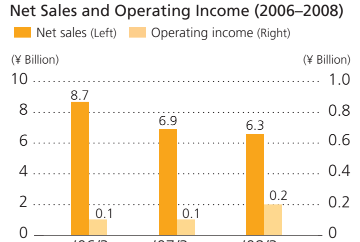
Other Operations (Nichirei Corporation, Nichirei Biosciences Inc., Nichirei Proserve Inc.)



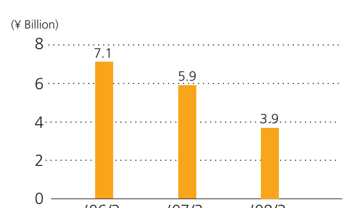


Nichirei continues to nurture its bioscience operations. The company develops, manufactures and sells antibody products, cell-culture reagents and raw materials for cosmetic products, based on Nichirei's immunology-related technology and natural materials processing technology. Meanwhile, Nichirei Proserve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

Net Sales and Operating Income (2006–2008)



Segment Assets (2006–2008)



Message to Our Shareholders

Mitsudo Urano
Representative Director
and Chairman

Toshiaki Murai
Representative Director
and President

Responding Rapidly for Growth

The Japanese food industry today faces the harshest business environment ever. In addition to the aging population and shrinking birth rate, of which we have long been aware, the number of challenges that confront us today far exceed what we could have expected. These include deterioration of the public's image of processed foods due to a number of food-related fraud cases, difficulty in procuring stable ingredient supplies as a result of competition from emerging countries, sharp increases in ingredient prices, and the soaring cost of fuel needed for food deliveries.

Because of the exceptionally harsh business environment, we posted disappointing consolidated results for the fiscal year ended March 2008. Although net sales rose 1.3% from the previous term to 463,591 million yen, operating income was 17,355 million yen (down 4.4% from the previous term) and net income was 9,623 million yen (down 11.3%) – below the targets established at the beginning of the term for the first year of our Medium-Term Plan. At the same time, however, we feel that these various problems, along with internal issues that became apparent during the fiscal year through 2008 and clear progress in our overseas business, show us the direction in which we need to change. Furthermore, we believe that it is precisely in the kind of troubled times that lie ahead that we can make the most of both the reputation we have cultivated as a provider of "safe and reliable" food, and of our comprehensive group strength – meaning Nichirei's unique network that covers every step in the food supply process, from procurement of raw materials to processing and distribution of finished products.

Nichirei will continue active investment and development aimed at responding rapidly to changing eating habits, which in turn respond to changes in demographics, health awareness, and consumers' lifestyles. We will continue to make sure to provide consumers with deliveries of safe and reliable food. And we will boldly push ahead with even more reforms as we aim for long-term, stable growth by providing Nichirei's own brand of new added value.

M. Urano

Mitsudo Urano
Representative Director and Chairman

Toshiaki Murai

Toshiaki Murai
Representative Director and President

A Conversation with the President

Medium-Term Plan
April 2007 – March 2010

Goals and Objectives

Q Please explain the goals and objectives of the current Medium-Term Plan.

Our focus has shifted from reform to growth

In April 2007 we began implementing a three-year Medium-Term Plan; the year that ended in March 2008 was the first year. This plan is completely different from previous Medium-Term Plans in that the goal is "Advance & Challenge," which represents a major shift in direction. Until now we had been using our cash flow primarily to pay off interest-bearing debt, but now we are earmarking it for active capital investment. In other words, we finished reducing the debt that had been weighing us down, and have completely shifted our focus from reform to growth. Our Medium-Term Plan calls for investing 54 billion yen over the three years until March 2010, with most of that amount going into growth areas of our core businesses. The plan's outline consists of the following seven policies:

1. Actively create customer value to promote business growth
2. Develop globally while making the most of our solid domestic foundation
3. Form alliances and M&As that help build corporate value
4. Enhance quality assurance systems
5. Establish a group governance system
6. Cooperate with society to fulfill corporate social responsibilities
7. Promote an organizational climate that is pleasant to work in

The following table shows numerical targets for the Nichirei Group as a whole and for each business segment.

(¥ Billion unless otherwise specified, %)

	Mar. 2010 (Targets)
Net sales	¥ 533.1
Processed Foods	200.0
Marine Products	90.0
Meat and Poultry Products	100.0
Logistics	159.0
Operating income	22.6
Processed Foods	9.7
Marine Products	0.6
Meat and Poultry Products	0.9
Logistics	7.8
Net income	11.4
Net income per share (yen)	36.76
Capital turnover ratio (times)	2.6
Operating income to capital (%)	11.1
Operating margin (%)	4.2
Return on Equity [ROE] (%)	8.8

The Business Environment and Evaluation of First-Year Results

Q How do you evaluate the Company's performance in the year ended March 2008, and what issues does Nichirei face now?

Despite declines in revenues and profits amid what we can call the harshest business conditions ever, we are not changing the final targets of our Plan

First of all, the year ended March 2008 was the initial year of a new system whereby Chairman Urano and myself, as president, steered Nichirei together. The transition from the old system went smoothly, without any big problems or revisions. However, the business environment in this first year of the new plan was an exceedingly difficult one, fraught with problems like scandals over deceptive or fraudulent food labeling, pesticide contamination of food produced in China, and soaring raw materials costs due to high oil prices and competing demand from emerging markets. The truth is, these price problems far exceeded what we imagined at the time we drew up the Medium-Term Plan. As a result, in the year ended March 2008 consolidated profits fell despite higher sales: we posted consolidated net sales of 463,591 million yen (up 1.3% from the previous year), operating income of 17,355 million yen (down 4.4% from the previous year) and net income of 9,623 million yen (down 11.3%). All three figures fell short of the Plan's targets for the initial year: net sales by 8 billion yen, operating income by 900 million yen, and net income by 600 million yen.

Although we faced grave problems in the surrounding business environment, we also became aware of internal problems that I will discuss later, so we cannot say that we were satisfied with our quantitative performance during this fiscal year. We are determined to address the issues that became more clear during the first year of the Plan and press ahead to accomplish the numerical targets that we set for March 2010 without revising them.

Performance by Business Segment

Q Please point out noteworthy trends in the results achieved by individual businesses.

Big jump in foods for commercial use; Logistics business in Europe and China entered new growth phase

Processed Foods, one of our two core businesses, was hit directly by the difficult business environment, causing net sales to fall below the previous-year level by 1.3%. In January, the discovery of agricultural chemicals in frozen gyoza dumplings had an enormous impact on the frozen food market as a whole. Although the scandal was caused by another company's products, our February sales of frozen foods for household use fell 25% below the previous-year level. There are signs that the decline in the frozen food market will level off, but we expect that the impact on Nichirei's frozen food sales will continue through the first half of the year ending March 2009.

Another reason that net sales fell below the previous-year level was that we had difficulties in developing products for household use and we were not able to quickly turn out household-use products with a clear competitive edge. We view this failure as an issue that Nichirei needs to address internally. We also need to learn from mistakes made in last year's introduction of an acerola beverage by our health value business. Due to insufficient preparation for the product launch, we were forced to quickly withdraw "Acerola Hayazumi C" from the market.

On the positive side, we enjoyed a solid 4.5% year-on-year increase in net sales of prepared frozen foods (mainly chicken) for commercial use, and our growing health value business saw a large increase in sales of "Kikubari-Gozen" through our Nichirei Foods Direct website. These successes helped to minimize the impact of the problems mentioned above.

In our other core business, Logistics, we exceeded our targets for the first year of the new Medium-Term Plan by 200 million yen in net sales and 1.7 billion yen in operating income. Qualitatively, results were mixed. On the plus side, our overseas business saw large increases in net sales and profits, and we established independent management bases in Europe and China. We embarked on a clear growth track, and we believe we can say we have begun the next phase of growth. In Europe, we were blessed with favorable circumstances such as a bumper crop of vegetables, while in Western Europe we secured a group of core customers and filled some of our warehouses to the point that we are now working on expanding capacity. In the future, we believe that expansion in Eastern Europe, Southern Europe, and Russia will be the key to success. In China, we succeeded by focusing on our transport business.

On the other hand, we only succeeded in implementing half of the capital investment that we budgeted for the first year of our Medium-Term Plan. This was due to stricter enforcement of building standards, which caused delays in getting building permits, as well as to a jump in construction expenses. As a result, our capital investment in Logistics in the year through

(¥ Billion unless otherwise specified)

	Mar. 2007 Actual	Mar. 2008 Actual	Mar. 2008 Original targets
Net sales	¥ 457.6	**¥ 463.5**	¥ 471.6
Processed Foods	177.3	**175.0**	184.7
Marine Products	74.6	**74.6**	80.0
Meat and Poultry Products	80.9	**83.9**	82.0
Logistics	134.0	**138.7**	138.5
Operating income	18.1	**17.3**	18.3
Processed Foods	6.0	**4.1**	7.1
Marine Products	(0.3)	**(0.4)**	0.3
Meat and Poultry Products	0.6	**0.6**	0.8
Logistics	7.2	**8.5**	6.8
Net income	10.8	**9.6**	10.2
Net income per share (yen)	34.97	**31.04**	32.89

March 2008 was only 3.2 billion yen (28% of the initial budget for the year). However, we are fixing the problems that slowed capital investment, and we expect to invest 31 billion yen during the three years covered by the Medium-Term Plan.

In the Meat and Poultry Products segment, we exceeded our targets for net sales by 1,939 million yen, thanks to the introduction of new products such as "Jun Wakei" (pure Japanese chicken). We intend to accomplish our Medium-Term Plan by continuing to focus on the differentiated premium ingredients, although we will keep an eye on ingredient costs, which have been creeping up. Meanwhile, the biggest problem in our financial results from the year through March 2008 was the fifth consecutive operating loss posted by the Marine Products segment. We have continued to cut fixed costs, including personnel costs, in order to construct a framework that can withstand market fluctuations, but we are currently considering all possibilities regarding the future of this business.

From Now on – Advance & Challenge!

Major Policies for the Year through March 2009

Q What major policies and factors will affect your accomplishment of the Medium-Term Plan?

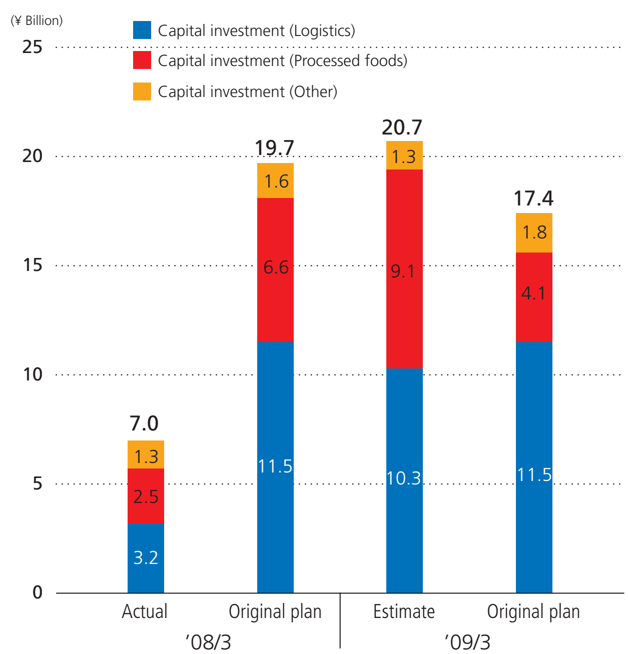
In the year through March 2009 we will put all our segments back on growth tracks

In the year ended March 2008, we fell short of some initial goals, but we are not changing our targets for the year through March 2010, the final year of our Plan. So the most important task in the year through March 2009 will be to correct the course of every segment that was affected by the recent dramatic changes in the business environment. We will return to the initial focus of our current Medium-Term Plan – "advance" and "grow," and actively pursue growth-oriented strategies.

First, in the Processed Foods segment, we will invest according to the Plan in two growth areas: frozen foods for commercial use, and health value business. We will develop products with clear and competitive appeal, and introduce them to the market in a timely way. In addition, we will invest in OEM partners in order to secure production profits, and gradually pass on higher ingredient costs to customers in order to boost our operating income.

The key to success in our Logistics segment lies in our overseas operations. We will steadily invest in Europe and China, where our business has begun to grow, and we will focus on hiring capable personnel in order to solidify this growth trend. In Japan, we aim to renew our refrigeration equipment, focus on developing new customers for our transport business, and work on boosting the percentage of fuel price surcharges that we pass on to customers, from the current 50%.

In the fiscal year through March 2009 and thereafter, we will try to make up for the delay in the investment schedule as much as possible.



In Meat and Poultry, we will continue to develop products based on the differentiated premium ingredients, while we strive to quickly get our Marine Products business into the black.

Long-Term Policies

Q In light of recent big changes in the business environment, please explain your policies for the long term.

Two major themes: dispelling fears about food safety and securing raw ingredients

In the year ended March 2008, there were several scandals related to food safety, including incidents of deceptive or fraudulent food labeling and contamination by agricultural chemicals. Although these incidents were not directly related to Nichirei, they had an enormous impact on the Japanese food market as a whole. There is not much that a single company can do to counteract the effects of these scandals, but we will do whatever we can to dispel Japanese people's worries about the safety of their food, and to minimize the negative effects on Nichirei's business performance. An example of how we are doing this is the April revamping of Nichirei's website so as to disclose which products are made at which factories and the source countries for various ingredients. Because source countries can change suddenly when supplies become scarce, maintaining accurate information demands a large amount of labor and expense. Nevertheless, we are working very hard to maintain up-to-date disclosure because we take the public's fears about its food supply very seriously. In the future, we will explore more effective and efficient ways to continue to disclose information.

Regarding the securing of ingredient supplies, we expect that it will not be as easy as it was in the past to secure stable supplies due to competing demand from emerging countries. We need to take a fresh look at food as a resource and work to secure stable supplies.

Shareholder Value, Returns to Shareholders, and Social Responsibility

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

We will strive to achieve and maintain a consolidated dividend-on-equity ratio of 2.5% and a consolidated payout ratio of 25%

We believe that the most important thing we must do in order to increase shareholder value is to achieve long-term, sustainable growth by concentrating management resources in our most profitable fields while taking care to maintain capital efficiency. In order to accomplish this, we need to continue creating new value in all the businesses in which Nichirei engages. It is important that we consider the cost of capital as we invest in highly profitable businesses to increase long-term cash flow. Returning profits to shareholders is one of our most important responsibilities. Because our current Medium-Term Plan calls for aggressive investment based on our "Advance & Challenge" strategy, we are planning only to pay cash dividends without considering such measures as repurchasing shares. Our medium-term goal for returns to shareholders remains unchanged from the objective we set last year: to achieve and maintain a consolidated dividend-on-equity ratio of 2.5% and a consolidated payout ratio of 25%.

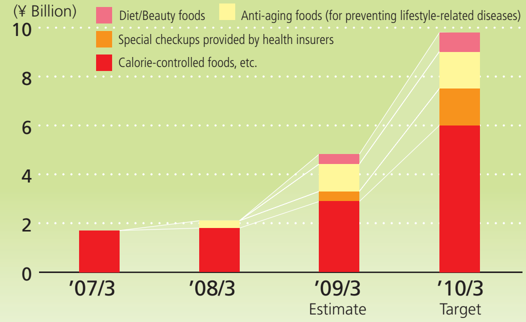
Regarding social responsibility, we believe that continuing to realize Nichirei's management philosophy in itself constitutes fulfillment of our social responsibilities. In the future, we intend to fulfill Nichirei's social responsibilities from the following six standpoints: 1. creation of new customer value, 2. improvement in employee job satisfaction, 3. thorough legal compliance, 4. establishment of corporate governance, 5. consideration for the environment, and 6. social contributions appropriate for Nichirei.

Wellness Foods

A growing field despite population decline

Japan's population is declining: the birth rate is falling and the average age is rising. Other factors causing big changes to Japanese eating habits include a greater concern for health, more women working outside the home, and more single-person households. This in turn has caused structural changes in the food market.

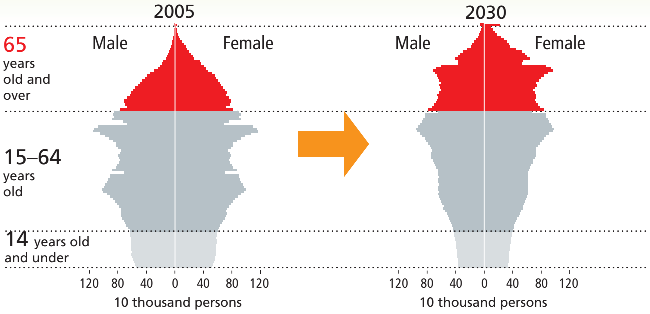
Our Wellness Business Net Sales



Japan's overall population has begun to decline

Japan has become a mature society. As of 2005, the population began to decline. The birth rate is falling and the average age is rising increasingly rapidly. Overall, the market for foodstuffs is shrinking, but at the same time new markets are emerging as a result of structural changes in society. Nichirei intends to concentrate management resources in areas that promise growth in line with the times. One such area is Wellness Foods.

Population Pyramid in Japan



A growing market for the prevention of metabolic syndrome

In April 2008, the Japanese government began requiring health insurance providers to include testing for metabolic syndrome as part of regular checkups for their insured aged 40 to 74, and to apply the results to measures aimed at preventing diabetes and other lifestyle-related diseases. The insurers must offer counseling to those insured who have a lifestyle-related disease or a high risk of developing one. The goal is to reduce the number of people with metabolic syndrome by 25% by 2015. Insurers who fail to meet that goal will have to pay a penalty. This is one reason why we expect that the market for calorie-controlled foods aimed at preventing metabolic syndrome will be growing as the new insurance scheme picks up steam.

The anti-aging market: for active seniors

As Japan's population ages, we expect that more households will be composed solely of one single or two married elderly people. We refer to those who do not require nursing care as "active seniors," and we have been developing products aimed at this market. For example, we supply prepared foods made from ingredients known to help prevent conditions that commonly occur among elderly people, such as osteoporosis, prostate disease, and malnutrition. We deliver these foods to private homes and elderly care facilities to make it more convenient for elderly people to make use of them.

Nichirei's medium-term strategies for Wellness Foods

Target market	Metabolic syndrome prevention		Diet	Anti-aging
	Special checkup covered by insurance	Marketing of regular products		
Core characteristics of target market	40-65-year-olds; metabolic syndrome warning signs Insurers will be required to provide counseling for people found (through special checkups) to have metabolic or pre-metabolic syndrome Due to tight health insurance budget	30-80-year-olds; very health-conscious Special checkups provided by insurers will foster greater interest in improving eating habits for sake of better health	Women in their 30s and 40s Use of frozen foods will greatly raise levels of quality and satisfaction compared to conventional diet foods used by women who diet to improve their appearance	Men and women over 50 Supply and delivery of meals for elderly in response to demand for preventing or treating conditions such as osteoporosis, prostate troubles, dementia, or malnutrition
Estimated size of market in FY through March 2013	¥170 billion		¥90 billion	¥100 billion
Estimated year-on-year sales increase for FY through March 2009	+¥0.4 billion	+¥1.1 billion	+¥0.4 billion	+¥0.8 billion

Nichirei is good at calorie control and good taste

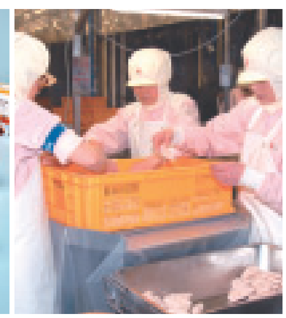
Foods targeted at consumers or elderly, ill, or dieting have different requirements from normal food, and it takes a company with comprehensive capabilities to provide such products. Our advantage in the wellness foods business is that we can combine our know-how in research, development, and manufacturing to deliver both reliable ingredient control and good taste.

Controlling calories and nutrients through stable operations and expert knowledge

Nichirei is one of the industry's most trusted providers of calorie and nutrient-controlled foods. One reason for this is that we have experience with the painstaking work of actually analyzing ingredients and seasonings used in entrées and side dishes created by our product development team, and correcting the recipe repeatedly until we get the desired results. Even when using ingredients that differ in the amount of fat or nutritional value according to the time and place of harvest, or the particular batch or portion used, it is possible to obtain stable caloric or nutritional values by repeatedly reviewing nutritional content. Diabetic foods in particular have an extremely small range of tolerance for mistake in caloric and nutrient content. Rather than relying only on machines, we also make use of the know-how of workers who are experienced in weighing, selecting, and combining ingredients so that we can provide products of uniform quality.







Expanding our "measuring good taste" system to include human sensibility and emotion

In order for consumers to accept a food product, it must be not only calorie and nutritionally controlled, but it must be delicious. The good taste of Nichirei's wellness foods is supported by a "good taste-measuring" system that takes into account human sensibility and emotion in considering impressions other than flavor, such as aroma, texture, and packaging design, in addition to what we learn from market research and scientific evaluation of flavor. Our flavor analysis group is composed of five types of monitors ranging from flavor professionals to regular consumers. They sample foods and discuss their impressions to develop foods that are both delicious and valuable for health.

Five Types of Flavor Analysis Monitors

1. **Regular consumers** (several thousand)
2. **Employees with no special training, almost like regular consumers** (several hundred)
   Decide if products taste good or not. Measure emotions based on experience points of each participant
3. **Employees who have passed a test to determine that they can identify differences between sweet, sour, salty, bitter, and savoriness** (about a hundred)
   Evaluate quality rather than determining delicious or not
4. **Employees who have a good deal of experience with food and are knowledgeable about ingredients** (about a hundred)
5. **Employees who have good deal of training related to specific products** (20-40)
   Specialists who can give detailed evaluation of specific products, somewhat like the way a sommelier evaluates wine

Growth Strategies for Core Operations

Nichirei Foods Inc.
Yoshihiko Soma, President

Processed Foods

We are striving to become the most trusted food processing company in Japan and the world, and to achieve an operating margin of 5%, among the highest in the industry.

Targets and Basic Strategies per Our Medium-Term Plan

Core businesses (prepared frozen foods, retort-pouch foods, agricultural products)

- Enhance product development capacity through further selection and concentration of categories
- Increase in-house production ratio, strengthen management systems, improve effectiveness of quality assurance, aim for greater profitability

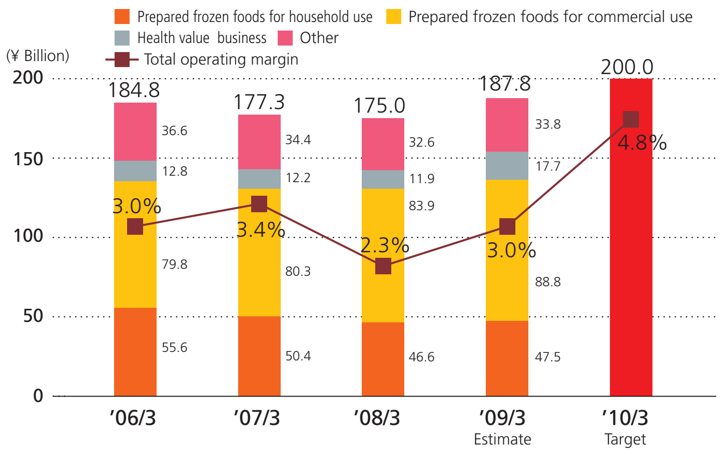
Expand health value business

- Build high-profit model by expanding line of wellness products and creating new solutions businesses
- Focus on brand strategy in development of acerola products; develop new beverages based on other Brazilian fruits

Expand more aggressively overseas

- 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 meet the precise demands of local cultures and palates

Net Sales by Sub-segment & Total Operating Margin of Processed Foods



Sales of commercial-use frozen foods are growing

Our Wellness business is going strong thanks to products like "Kikubari Gozen" (320kcal)

Market and Industry Trends

In addition to increases in production and procurement costs due to such factors as surging oil and grain prices, various other problems in the industry also dampened the market as a whole, including scandals arising from other companies' false product labeling and the discovery of toxic contaminants in food products.

- Consumers spent 1.9% less on prepared frozen foods for household use compared to the previous year. In the fourth quarter (January - March), there was a 12.0% drop.
- The restaurant market (including providers of takeout meals and ready-to-eat side dishes) grew by 0.3% over the previous year.

Major Policies for the Year through March 2009

Core Businesses: Find appropriate policies and timing for passing on higher costs

As raw materials, fuel, and other costs increased during the fiscal year through March 2008, we revised our prices before other companies did. As a result, we were able to maintain roughly the same profit margin as we anticipated in the summer of 2007, when we determined our price revisions. This fiscal term we expect further cost increases, and we plan to take steps to pass on whatever portion is not covered by last year's price increases. This will include products whose prices we could not revise last term, chicken and other items that we expect will increase especially sharply this term, and price revisions on selected household-use items in line with reallocation of shelf space, which many stores do in autumn. Through these measures we intend to pass on cost increases at appropriate times.

Health Value Business: Establish high-profit model and develop Brazilian fruits with acerola as the mainstay

We view health value as our next growth engine, and wellness foods is one of the pillars of health value. Within the wellness field, we will focus on three markets: metabolic syndrome prevention, low-calorie diet, and anti-aging. We will develop these businesses through the most appropriate sales channels.

Addressing metabolic syndrome prevention, we began selling a guidance program "LiSM10!" and "Kizuki Shoku" dietary instructional material through Nichirei Foods Direct, corporate health insurance associations, and Smile Diner Inc. in April 2008, when public health insurance providers began covering such guidance services. In addition, we are planning to introduce a "Doctor's Box Lunch" supervised by doctors.

In the diet market, in addition to selling low-calorie frozen boxed meals "Wodish" aimed at women in their 30s and 40s, we also offer individual diet foods in order to provide greater convenience and satisfaction.

In the anti-aging field, we have geared up for market expansion. In addition to beginning home deliveries of ready-to-eat foods that fight the effects of aging through Heart & Heart Life Support Inc., a subsidiary we established in November 2007, we are now exploring the possibility of providing anti-aging meals to nursing homes.

In order to enhance our framework for producing wellness foods, in April 2008 we more than quadrupled our production capacity for calorie-controlled meals, raising it to 520,000 meals per year.

The other pillar of our health value business is acerola. We aim to revamp our brand's appeal by further stressing functionality to women in their 20s and 30s. We will also work to create demand for other Brazilian fruits.

Global strategy: Use technological strength to bolster sales and production networks

We have been preparing for the likelihood that overseas markets will be an important source of future growth. In China we have mainly been cultivating the home-use market, but in the future we will expand sales of commercial-use frozen foods. We established Nichirei Europe S.A. in December 2007, and have been using it as the base from which we actively push sales of Brazilian acerola juice concentrate, frozen sushi, chicken products, and processed agricultural products in Europe. In Brazil, we established a base in São Paulo in February 2008 for selling acerola juice. In December 2006 we acquired a majority stake in Surapon Nichirei Foods Co., Ltd. in Thailand and began using it as a base from which to sell chicken products, etc. within Thailand and abroad.

Frozen diet boxed meals "Wodish" for working women (290kcal)

Nichirei Foods Direct, mail-order site for wellness foods

Boosting brand strength in the acerola business

Performance Highlights from the Fiscal Year through March 2008

- Processed Foods sales declined by 1.3% from the previous year because of an overall drop in the market for prepared frozen foods for household use due to various food-related scandals, sluggish acerola sales, and other factors.
- Sales of prepared frozen foods for commercial use increased by 5%.
- We raised sale prices as we expect production and ingredient procurement costs will continue to rise.
- Operating income declined by 31.7% due to the drop in sales and increases in advertising expenses, retirement benefits, etc.


Nichirei Logistics Group Inc.
Toshiaki Murai, President

Logistics

We aim to be Japan's number one provider of logistics services for foods.

Targets and Basic Strategies per Our Medium-Term Plan

Regional Storage Business

- Update refrigeration equipment
- Strengthen close connections with important customers, continue low-cost operations

Logistics Network Business

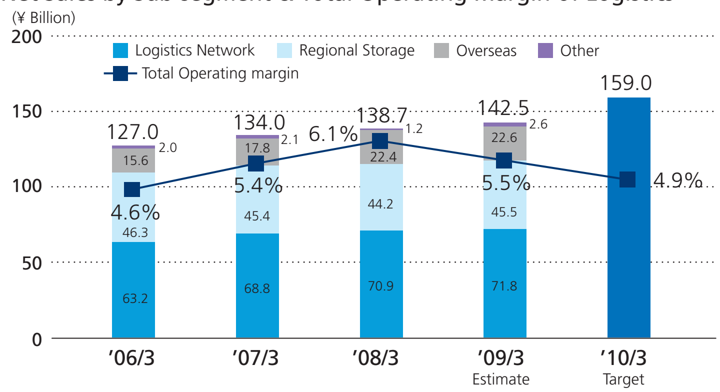
- Expand transportation business by increasing coordination with subsidiaries
- Boost revenues by proposing logistics solutions that provide greater efficiency for customers

Overseas Business

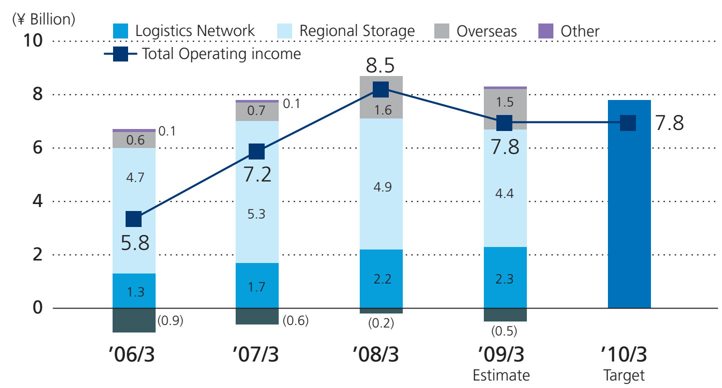
- Secure stable growth in Western Europe and expand business in Eastern Europe
- Move forward with preparations for second distribution center in China


Expanding our business in western Europe contributes to profits (Eurofrigo B.V., Netherlands)

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



Operating Income by Sub-segment of Logistics



Market and Industry Trends

Soaring oil prices, the need to reduce damage to the environment, and demand for higher quality distribution all put more upward pressure on costs. The business environment in the transport industry remains harsh and little progress has been made toward transferring higher costs to customers. Meanwhile, seafood imports fell, and the average refrigerated inventory ratio was lower than the previous year.

- In Japan's 12 largest cities, the volume of inventories in storage amounted to 10,188,000 tons, little changed from the previous year.
- The average inventory ratio was 33.9%, down 1.4 points from the previous year.

Major Policies for the Year through March 2009

Regional Storage Business: Steadily implement capital investment plan, improve local service, and reduce operating costs

During the three years covered by our current Medium-Term Plan, we intend to invest about 31.0 billion yen in plant and equipment for our Regional Storage Business, mainly for renewing refrigerated warehouses in the Tokyo metropolitan area and the Kansai region. However, we only succeeded in starting about 30% of the roughly 11.5 billion yen worth of construction projects that we had planned for the first year (through March 2008) due to delays caused primarily by a surge in construction costs, difficulties in acquiring land, and stricter enforcement of construction codes by government authorities. We intend to make up for these delays in the term through March 2009 and move ahead with executing our three-year capital investment plan. By making sure to update equipment that has deteriorated through age, we can offer improved safety and service and will strive to achieve thorough quality control and expiration date management, etc. On the sales side, we will continue to implement our already successful strategy of providing highly customized local service while sharing wide-area sales information and making use of customer analysis in order to reinforce sales efforts aimed at important customers. In order to minimize the impact of the increased depreciation costs that will result from capital investment, we will continue to work hard at lowering operating costs.

Logistics Network Business: Expand transportation business and develop new customers for TC business

Only a portion of the customers who use our refrigerated warehouses also use our transportation services. The rest use the transport services of our competitors, and we view these customers as an important source of potential additional business. In the year ended March 2008, we increased the number of vehicles owned by the transport subsidiary (NK Trans Inc.) that we established in the previous year. In the year ending March 2009, we will further increase the number of vehicles and further reinforce cooperation with our business partners in order to enhance our transport capabilities and reduce costs so that we can win more transport customers.

In the transfer center (TC) sub-segment, which is the key to growth in our Logistics Network Business, we will focus on signing up new large-scale customers and manufacturers of local specialty products, and work to increase revenues by offering a variety of auxiliary TC services tailored to customers' needs.

Overseas Business: Establish business base in Eastern Europe and expand transport business in China

We greatly improved revenues from our overseas business, and we are establishing and enhancing operational bases so that it can become a significant driver of growth for the Logistics group as a whole. In the medium to long term, we plan to garner about 30% of the Logistics group's revenues from overseas, mainly from Europe and China.

In Europe, we experienced a bumper crop of vegetables and some other irregular factors in the year ended March 2008, but we increased our earning capacity through such efforts as aggressive marketing, improving operational efficiency, and improving our financial standing. The track record and expertise in providing high-quality service that we cultivated in Japan have been appreciated here, which helped us to win business from large-scale customers. This contributed to stabilizing our operational base in Western Europe. Next we aim to expand our business in Eastern Europe. We are already making plans for a new base in Poland, and are working hard to realize them. In the medium and long terms, we are looking at expanding into southern Europe and Russia.

In China, we succeeded in turning a profit by withdrawing from unprofitable businesses and shifting our focus to transportation. In the future, we intend to keep our focus in China on transportation and work at winning new customers and reinforcing our operational bases.

Investing in refrigeration equipment

Building up our truck fleet for Nichirei's delivery business

Focusing on transport in China

Performance Highlights from the Fiscal Year through March 2008

- In Regional Storage, our sales efforts paid off and we succeeded in maintaining inventories near the previous year's levels despite a harsh environment in the industry. Although revenues dropped, operating income remained at about the previous year's level when we discount the effects of a change in our method of accounting for depreciation costs.
- Overseas, both refrigerated storage and forwarding operations performed well. Partly thanks to the strong euro, sales increased 26% year on year while profits grew by 118% (900 million yen).
- Our Logistics Network's transport sub-segment enjoyed a 3.2% increase in sales, and operating income rose by 27.9% (500 million yen) because we passed on fuel increases to customers and improved profitability at non-performing businesses.

Nichirei Fresh Inc.
Hisashi Hasegawa, President

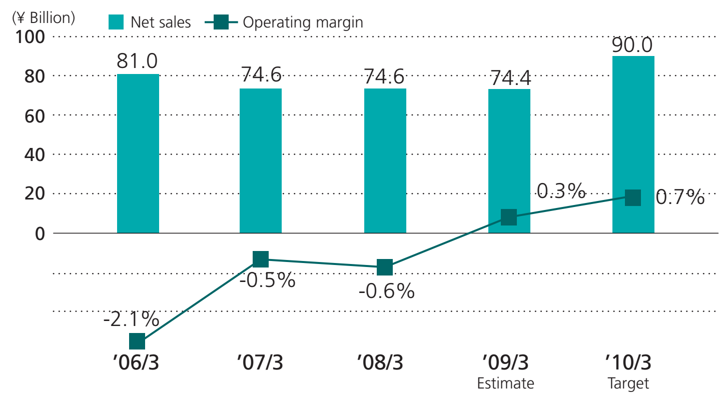
Marine Products

We will press ahead to quickly restore the business to profitability and prepare to expand our business downstream in the value chain while emphasizing capital efficiency.

Targets and Basic Strategies per Our Medium-Term Plan

- Enhance product development for the growing sushi toppings market and step up overseas sales efforts
- Launch joint venture in China. Continue to increase cooperation with partners in Europe and the U.S.
- Reduce costs, primarily by increasing sales per person through the assignment of larger territories and by reviewing sales promotion event expenses
- Reduce overall inventories and distribution expenses by combining procurement and sales functions and reviewing inventory control methods

Net Sales and Operating Margin of Marine Products



Major Policies for the Year through March 2009

Steadily position ourselves for growth in overseas markets

Once we restore our Marine Products business to the black, we believe that one of the products that will drive growth will be sushi toppings. Because demand for sushi toppings is growing due to the booming popularity of sushi in Europe, the U.S., Russia, China, Hong Kong and elsewhere, we are working harder at product development and sales channel expansion. In Europe and the U.S., we are stepping up cooperation with existing partners to expand sales channels to supermarkets, etc. In China and Hong Kong, we plan to expand sales volume thanks to the early launch of a Chinese joint venture in the term ending March 2009. On the Chinese mainland, we will seriously analyze possibilities for doing business lower in the value chain, for example by operating revolving sushi bars.

Growing overseas demand for sushi toppings

Smoothly implement transition to wide-area sales system and inventory reduction measures

In order to make our business more adaptable to fluctuations in the marine products market, we plan to enlarge the segment's sales territories as of the term ending March 2009, so as to reduce fixed expenses. The aim is to increase the volume of sales per person, thereby making more efficient use of human resources. In particular, we will reduce our sales staff in Hokkaido and Nagoya and merge the head office and Kanto marine products divisions as part of a plan to cut costs by about 300 million yen per year. We will also review our system of controlling inventories region by region in order to reduce inventories by some 2.0 billion yen. In the term through March 2009 we aim to smoothly implement these measures and improve our earning capacity.

Market and Industry Trends

The business environment remained harsh: procurement prices were high due to factors like increased global demand for seafood leading to competition for supplies, and higher fishing costs resulting from the surge in oil prices. At the same time, the domestic market for seafood was stagnant.

- In calendar year 2007, marine product import volume declined 8.3% from previous year while the monetary value declined by 4.3%.
- Shrimp imports amounted to 207,000 tons, down 9.9%.

Performance Highlights from the Fiscal Year through March 2008

- Handling of mainstay products increased and we maintained net sales near the previous year's level thanks to implementation of our Marine Products Business Revitalization Plan.
- We posted an operating loss due to the stagnant domestic market for shrimp in the first half and a slump in collections and processing business in South America.

Meat and Poultry Products

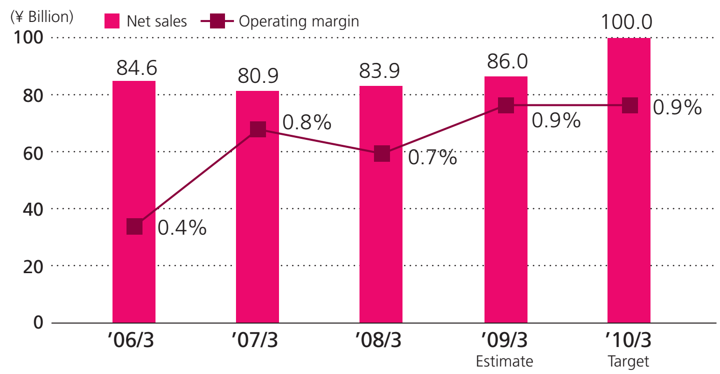
We will seek even more premium ingredients to serve the gourmet market that is our strength, and provide more products that are processed exactly to individual consumers' liking.

Nichirei Fresh Inc.
Minoru Satou,
Executive Vice President

Targets and Basic Strategies per Our Medium-Term Plan

- Further increase the added value of premium ingredients and build customer loyalty by continuing to emphasize the merits of that value
- Establish framework for providing optimal degree of processing that suits customers' needs
- Expand the new business model that successfully launched "Jun Wakei" (pure Japanese chicken), and apply it to other products

Net Sales and Operating Margin of Meat and Poultry Products



Major Policies for the Year through March 2009

Make the most of our ability to provide optimal degree of processing

The ability to provide a degree of meat processing that matches each customer's needs is one of our major strengths. In the future, we will build sales systems that allow customers to benefit fully from this ability. Specifically, we will prepare a framework that allows us to handle processed products made of all types of meats including beef, pork, and chicken. By doing so, we will further increase our ability to respond to customers' needs, speed product development, and boost sales capacity.

Focus on cultivating and launching new businesses

When we launched our new brand of "pure Japanese" chicken (Jun Wakei) in the term ended March 2008, we emphasized that the chickens are a purely domestic breed, and that we were using more eco-friendly production processes. On the strength of this obvious added value, we focused on cultivating a comprehensive brand image, and enjoyed a solid launch with first-year sales of about 1.2 billion yen. We intend to apply this successful model to other products and work hard at cultivating new businesses. We are honing our sales strategy for the next product – a beef tongue product called "Tasuke" – which we want to be a hit in the year through March 2009. In addition, we are exploring the possibility of developing a new pork-based product.

Strong sales of domestic "Omega Balance Pork"

"Jun Wakei," an example of a successful new business

Market and Industry Trends

Procurement prices for both domestic and imported products were high, largely because increases in oil and animal feed prices pushed up production costs.

- Demand for beef and pork from food processors fell in response to false labeling and other meat-related scandals.

Performance Highlights from the Fiscal Year through March 2008

- Net sales increased by 3.7% over the previous year because we focused on expanding sales of domestic chicken, pork, and other products.
- Operating income declined 6.2% due to a slump in demand for beef used in processing and increased fixed costs.

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. 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. A resolution to appoint directors shall be approved by a majority of at least one third of shareholders with voting rights at the general shareholders' meeting. 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. In principle, the Board of Auditors meets once per month, and holds additional meetings as necessary. One of these outside auditors heads the Nichirei Group's Director Review Committee, which considers and recommends rewards and punishments for corporate directors.

Independent Status of Outside Directors and Auditors; Activities in the Year Ended March 2008

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 2008, our three outside directors attended 81% of regularly scheduled board meetings. They participated in discussions about business plans involving management strategy and investment, and in deliberations related to the construction of internal control systems, group strategies, the formulation of management policies, and in monitoring of business execution. The two outside auditors had a 95% attendance rate, and offered opinions about issues such as asset policies, business plans, and compliance issues.

Risk Management

The Nichirei Group manages the various risks associated with its business activities in the most appropriate and rational ways from a comprehensive standpoint. In order to maximize the Group's corporate value, we established a Group Risk Management Committee chaired by the president. 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 works to minimize risk by an internal reporting system (Nichirei Hotline).

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 Corporate Internal Audit Division consists of 11 members, including related staff. It verifies the status of internal controls throughout our manage-

Committees

Group Human Resources Committee	Convened by the committee chairperson twice yearly and as necessary	Group Director Review Committee	Convened by the committee chairperson as necessary
Group Risk Management Committee	Convened by the committee chairperson twice yearly and as necessary	Management Committee	Meets regularly, every Tuesday except for the third Tuesday of each month
Group Environmental Protection Committee	Convened by the committee chairperson twice yearly and as necessary	Intellectual Property Management Committee	Convened by the committee chairperson as necessary
Group Quality Assurance Committee	Convened by the committee chairperson twice yearly and as necessary	Group Employee Review Committee	Convened by the committee chairperson as necessary
Group Internal Control Committee	Convened by the committee chairperson twice yearly and as necessary		

In order to insure that our corporate governance functions effectively, Nichirei has established the following committees to serve as advisory bodies to the Board of Directors: Group Human Resources Committee, Group Risk Management Committee, Group Environmental Protection Committee, Group Quality Assurance Committee, Group Internal Control Committee, and Group Director Review Committee. In addition, we established a Management Committee, Intellectual Property Management Committee and Group Employee Review Committee to assist the president. Meeting guidelines for these committees are shown above.

ment activities by conducting audits of business operations and financial accounts, and offers advice where necessary. In this way, the division ensures thorough legal compliance and observance of our code of conduct, strives to raise awareness of risk management, monitors the condition of facilities at our production plants, distribution centers, and other workplaces, and provides appropriate guidance and advice as part of facility audits.

Ensuring thorough Compliance

Nichirei takes various actions to bolster group-wide compliance with laws and ethics. In the year ended March 2007, we revised our Code of Conduct (a set of guidelines for ensuring that corporate and employee behavior complies with laws and internal regulations) and our Examples Codes of Conduct Application in accordance with the implementation of Japan's new Corporate Law and other new circumstances. In addition to making the new code known to all employees, we conduct training and educational activities. For example, we post case studies on the BBS of each company's intranet website.

Thorough Internal Controls

The Nichirei Group is aware that we can increase corporate value by instituting and implementing an internal control system with goals like improving operational effectiveness and efficiency, ensuring the reliability of our financial reports, ensuring legal and ethical compliance in our business activities, and protecting our assets. We determined the basic policies underpinning our internal control system in accordance with the Corporate Law that took effect in May 2006, but we try to improve the system in response to changes in the management environment and other external factors. We conducted a review in April 2008 and revised our basic policies. Also, in the year ended March 2008, we began improving the Group's management system by initiating a joint project between our Internal Control Improvement Group/Promotion Division and the internal control improvement offices of each operating company, aimed at examining and enhancing Nichirei's internal control system. In addition, we systematically compiled our corporate management creed, basic CSR policies, results of various conferences, and all types of regulations.

Director Compensation

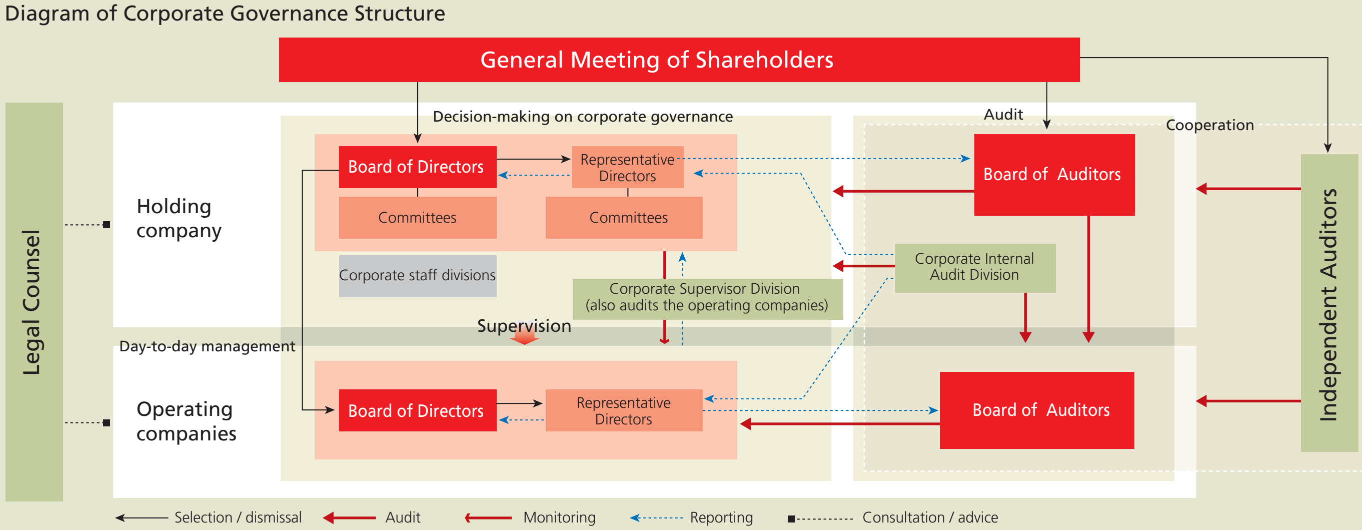
We use a performance-linked system for determining director compensation. We evaluate each member of the Board based on the scope of their responsibilities and the extent to which the Company achieves initial goals for the term regarding economic value added, operating income, net income and other performance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

Corporate Officer Compensation in the Year Ended March 2008

Function	Number of members	Amount of compensation	Comments
Director	10	181 million yen	3 outside directors received 21 million
Auditor	4	57 million yen	2 outside auditors received 14 million

Notes: 1. "Amount of compensation" includes bonuses of 59 million yen paid to each director for the fiscal year ended March 2008.
2. In addition to the above amounts, two directors and one auditor who retired and one auditor who resigned as of the adjournment of the general shareholders meeting held on June 26, 2007 were presented with a total of 143 million yen in retirement benefits based on a decision made along with the abolishment of the directors' retirement benefits system at the June 27, 2006 general shareholders meeting.

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,
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
Kunitaro Saida
Mitsuru Annen

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 2008.")

Supplying Safe and Reliable Products

The entire Nichirei Group strictly obeys the requirements of laws and regulations related to food handling and business practices, such as the Food Sanitation Law, Japanese Agricultural Standards, and laws governing descriptive labeling, and we demand strict compliance from our manufacturing subcontractors. 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.

Continual Review of Quality Assurance Standards

In our Processed Foods business, for example, since we began selling prepared frozen foods in 1952, we have been creating and refining our own quality control rules and mechanisms that allow us to deliver peace of mind to our customers. We compiled these standards systematically as the "Nichirei Foods Quality Control Standards" according to which we conduct factory inspections. These standards consist of 40 items related to organization, raw materials and products, and 40 items related to production equipment and hygiene management systems. We carefully oversee adherence to our standards not only at our own directly operated factories, but at all Group factories and affiliated factories whether in Japan or abroad. We will continue this strict adherence and continually review our standards and improve them when necessary.

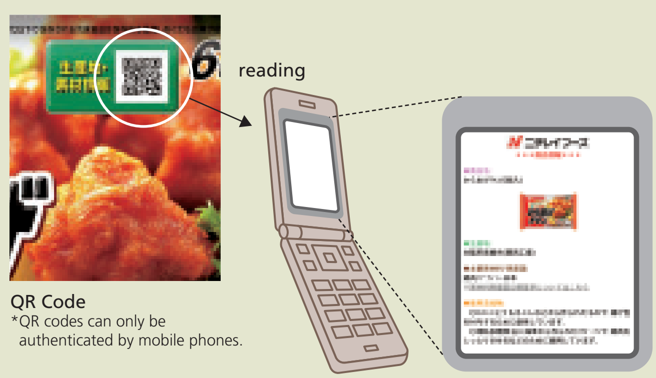
Conducting quality control procedures in a factory

Disclosure of Product Information

Many customers want to know where our raw ingredients come from, but because we use a wide variety of ingredients and producing regions change often, depending on the season and other factors, maintaining up-to-date information requires a great deal of effort. Nevertheless, in order to meet a need that helps our customers have peace of mind, we have enhanced the amount and quality of information that we provide about ingredient producing regions via our website.*1 In addition to printing on each package the name and location of the producing factory, we are also working on developing a system that will allow customers to confirm at the store where a product's ingredients were produced by using a QR code printed on each package. *1

*1: Applies to 55 types of prepared frozen foods for household use, listed on the Nichirei Foods website

Supplying product origin information for mobile phones

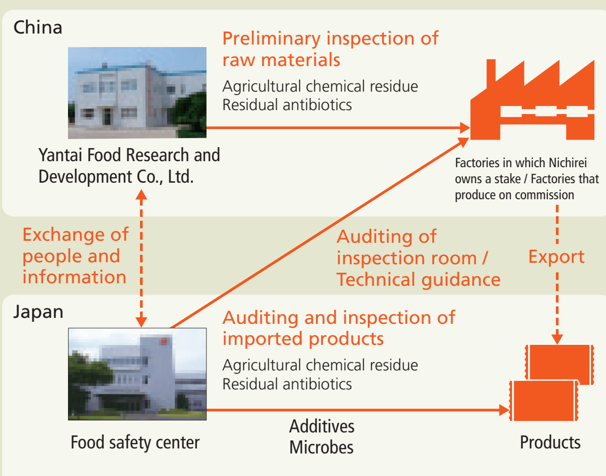


Reinforcing Inspection and Oversight of Products

The Nichirei Group works at continually improving Nichirei's quality control systems. For example, the Nichirei Quality Assurance Division's Food Safety Research Center conducts many kinds of analytical tests and develops testing and analysis technologies in order to ensure the safety of our products. In response to the discovery of agricultural chemicals in frozen gyoza dumplings made in China early in 2008, the Center further reinforced its systems for testing raw materials and products. In the future, we will work harder than ever to deliver safe and reliable products.

Environmental Preservation

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



Promoting Shared Distribution in order to Achieve a Society with Low CO_2 Emissions

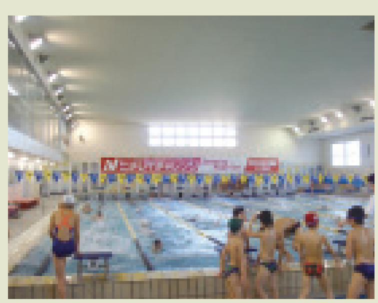
In order to reduce negative impact on the environment, it is important to eliminate waste in distribution processes. By reviewing distribution flows from that standpoint, and by designing, proposing and implementing new solutions from the standpoint of overall optimization, we can reduce costs and CO_2 emissions at the same time. Nichirei Logistics Group offers various forms of shared distribution, including shared deliveries with ice cream and other frozen food manufacturers and the operation of distribution centers for perishable foods and commercial-use products for delivery to mass retailers, restaurants, and home meal providers. For example, our 3PL subsidiary, Logistics Planner Inc., operates shared distribution of frozen foods and Japanese-style sweets in the Hokkaido, Chubu, Shikoku and Kyushu regions. In the future, we intend to further boost the efficiency of trunk line transport and reduce environmental impact through a modal shift employing trailers and ferries.

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. From the fiscal year ended March 2008, the committee also began to serve as the board of director for the Nichirei Partnership Fund, so that it now handles all aspects of Nichirei Group social contributions, from considering what type of contributions to make to selecting recipients. In the term through March 2008, the Social Contribution Committee discussed and considered activity reports about groups that received donations from the Nichirei Partnership Fund, and also considered cooperation with the National Federation of UNESCO Associations in Japan's worldwide children's literacy campaign. 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 a 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. Some 40,000 people participate each year.



Financial Section

Management's Discussion and Analysis

OPERATIONS

Overview

The fiscal year ended March 2008 was the first year covered by our new Medium-Term Plan (April 2007 – March 2010), whose goals we summarize as "Advance & Challenge." This plan is very different from previous medium-term plans. Under past plans, we used the cash flow generated by our business activities primarily to pay down liabilities, but from now on we will be allocating it for active investment in expanding our revenue base. We have begun pursuing a growth-oriented strategy with an eye toward forming corporate alliances and expanding internationally. Also, as part of our drive to improve quality assurance systems, we established Nichirei Sosai-kai, an association of nine companies in China and Taiwan to work on ensuring the safety and unifying standards for cultivation and quality control of Chinese frozen vegetables.

Operating Results

Net sales for the fiscal year through March 2008 increased by ¥5,936 million (US$59.2 million), or 1.3%, from the previous year to ¥463,591 million (US$4,626.6 million). Net sales increased in our Meat and Poultry Products business thanks to solid sales of chicken meat, and in the Logistics business due to good performances by the Logistics Network Business and overseas bases. Net sales of Marine Products, however, were little changed from the previous year, while sales declined in Processed Foods, Real Estate, and Other Operations.

Operating income was ¥17,355 million (US$173.2 million), down 4.4% from the previous year. As a result, our operating margin declined from 4.0% to 3.7%. Operating income rose in the Logistics business, largely because overseas bases performed well and we further improved the profitability of the Logistics Network Business. Operating income also grew in Other Operations, where histological stains and culture media were profitable. However, operating income declined in Processed Foods, mostly because of the slump in sales of household-use products and the discovery of pesticide contamination in frozen gyoza dumplings made in China by companies unrelated to Nichirei. Operating income also declined in the Meat and Poultry Products and Real Estate businesses. Marine Products posted an operating loss, largely due to the effects of a sudden plunge in the shrimp market.

Our cost of sales rose 1.3% from the previous year to ¥373,797 million (US$3,730.5 million), but the cost-to-sales ratio was unchanged at 80.6%. Selling expenses rose 1.1% to ¥41,679 million (US$415.9 million). In the breakdown of selling expenses, transport, storage, and sales commission expenses all declined, but advertising expenses and sales promotion expenses increased. General and administrative expenses increased 4.5% year on year to ¥30,759 million (US$306.9 million).

■ Performance by Segment

Processed Foods

	2007.3	2008.3	Change (%)
Net sales	¥ 177,305	¥ 175,008	-1.3
Operating income	6,018	4,112	-31.7
Operating margin	3.4%	2.3%	

(¥ Million)

During the year ended March 2008, business conditions remained harsh. In addition to higher procurement costs for products and materials due to the surge in prices of crude oil and grains, a series of scandals over false labeling and toxic contamination of food products by other companies caused the overall market to drop. Consumer spending on prepared frozen foods for household use declined by 1.9% from the previous year, and in the fourth quarter (January to March 2008) it plunged by 12.0%. On the other hand, the market for restaurant meals, including take-out meals and ready-to-eat dishes, grew by 0.3%.

Given this market environment, net sales from our Processed Foods business declined by 1.3% from the previous year to ¥175,008 million (US$1,746.5 million). In the fiscal year through March 2008, we revised our sale prices based on the view that product and raw material prices will continue to rise. We worked hard to maintain sales amount and revenues, and our net sales of prepared frozen foods for commercial use grew by 4.5%. Nevertheless, due to the plunge in the overall market for prepared frozen foods for household use, and to the slump in acerola sales, net sales for the Processed Foods business fell below the previous year's level. Due to factors such as the decline in sales and increases in advertising expenses and retirement benefit payouts, operating income declined by

31.7% from the previous year to ¥4,112 million (US$41.0 million) .

(a) Prepared Frozen Foods for Household Use

We enjoyed increased sales of major products such as spring rolls and fried chicken, which Nichirei has been selling for more than 20 years. Other good sellers were "Kuro Yaki-meshi" (black fried rice), which was originally launched only in the Kansai region but spread throughout the country, and "Zao Sanroku Doria" (Zao Piedmont Casserole), "Zao Sanroku Gratin" made with a generous amount of milk produced at the foot of the Zao Mountains. Still, due to the weakness in the overall market, net sales declined by 7.5% from the previous term to ¥46.6 billion (US$464.8 million) , and profits also declined.

(b) Prepared Frozen Foods for Commercial Use

Net sales rose by 4.5% from the previous year to ¥83.9 billion (US$836.9 million) thanks to continued strong sales of chicken products, which we further differentiated from competing products in terms of quality, and increased introduction of croquettes with a texture very similar to the homemade version. Profits also increased relative to the previous term, largely because we reviewed our product line and focused on selling the most popular product categories.

(c) Frozen Agricultural Products

Although domestically grown spinach and potatoes sold well, sales of processed agricultural products fell 4.5% from the previous year due to the slump in the frozen vegetable market. Profits also declined. We established Nichirei Sosai-kai, an association of nine companies in China and Taiwan that aims to ensure the safety of frozen vegetables produced in China. The association has created uniform standards for managing cultivation and quality control, and has speeded up efforts to continuously supply safe and reliable products.

(d) Acerola

Net sales in the acerola business declined by 8.6% from the previous year, due to stagnant domestic sales of acerola beverages. Profits also declined, but in March 2008 we completely renewed our acerola product line and laid a foundation for expanding sales of juice concentrate. For example, we began marketing activities stressing acerola's contribution to beauty, introduced a juice concentrate production line in Brazil, and established new sales outlets.

(e) Wellness Foods

Aggressive advertising of our "Kikubari-Gozen" series of frozen, calorie-controlled ready-to-eat foods paid off with a 4.1% increase in net sales and an increase in profits. In order to establish a sales base for the future, we formed a joint venture called Smile Diner Inc. with a major trading company so that we can build information channels through health care-related routes and expand sales of calorie-controlled processed foods.

In the year through March 2009, we aim to expand sales, mainly of prepared frozen foods for commercial use, and boost profits by raising factory utilization rates. We forecast net sales will rise 7.3% to ¥187,800 million and operating income will rise 38.6% to ¥5,700 million.

Marine Products

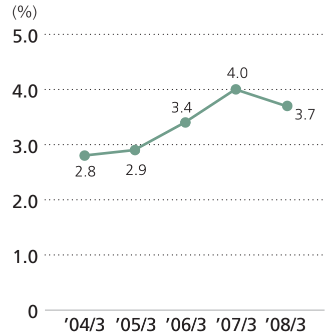
	2007.3	2008.3	Change (%)
Net sales	¥ 74,657	¥ 74,668	0.0
Operating income	(353)	(455)	---
Operating margin	---	---	---

(¥ Million)

In the fiscal year ended March 2008, business conditions remained as difficult as ever in the marine products market. Procurement prices remained high due to factors such as intensified competition over purchasing due to greater demand in the global market and higher fishing costs because of the surge in oil prices. At the same time, domestic demand for marine products has been lackluster. Marine product imports fell 8.3% year on year in calendar 2007, while the monetary value of those imports declined by 4.3%. Shrimp imports fell by 9.9% year on year to 207,000 tons.

Amid these conditions, we implemented measures based on our "Marine Products Business Revitalization Plan" and achieved net sales of ¥74,668 million (US$745.1 million), up

Operating Margin 2004-2008



11 million yen from the previous year. However the segment posted an operating loss of ¥455 million (US$4.5 million), compared with the previous year's operating loss of ¥353 million, due to stagnation in the first half of the term in the domestic market for shrimp, which is a mainstay product. Performance was also hurt by a downturn in collections and processing business in South America.

(a) Shrimp

Shrimp is a mainstay of our Marine Products business, but in the first half of the year, sluggish production in the Middle East and Southeast Asia and our reduction in the volume of processed items that we handled caused a decline of 4.8% in net sales compared to the previous year. Nevertheless, thanks to recovery in the second half, we were able to secure profits near the previous year's level.

(b) Other Seafood

We made progress in building a supply chain for octopus, from ingredient procurement through processing and sales, and we handled a larger volume. Sales of fish roe and shellfish also increased because we provided products that were optimally processed to meet customers' needs, and because the public appreciated our thorough quality control. Sales of frozen fish fell, however, because we reduced the number of types that we carry and because demand for our main products, salmon and trout, was slow. Overall, net sales of non-shrimp marine products increased by 4.8% and profits also grew.

In the year through March 2009, we plan to "select and concentrate" based on our "Marine Products Business Revitalization Plan" and also focus on reducing fixed expenses and getting back into the black. We expect that net sales will decline by 0.4% to ¥74,400 million, and that we will post operating income of ¥200 million.

Meat and Poultry Products

	2007.3	2008.3	Change (%)
Net sales	¥ 80,910	¥ 83,939	3.7
Operating income	649	609	-6.2
Operating margin	0.8%	0.7%	

(¥ Million)

The business environment in this industry was harsh in the fiscal year through March 2008. Procurement prices were high for both domestic and imported meats and poultry products as increases in crude oil and animal feed prices pushed up production costs. In addition, scandals over falsely labeled meat products had a negative effect on demand for beef and pork used in processed foods.

In our own Meat and Poultry Products business, our focus on expanding sales of domestic meats and poultry paid off, and net sales grew by 3.7% over the previous year to ¥83,939 million (US$837.7 million). However, operating income declined by 6.2% from the previous year to ¥609 million (US$6.0 million) due to the stagnation in sales of beef for processing and to increased fixed costs.

(a) Chicken

Chicken meat sales rose 15.7% over the previous year thanks to strong sales of domestic products and a recovery in the market for imported frozen products. Aiming to expand into a new business field, we began raising "Jun Wakei" (pure Japanese chicken) and made preparations to begin sales.

(b) Beef

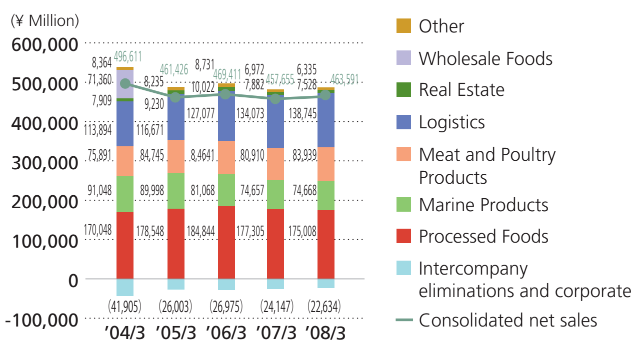
Procurement prices for Australian beef rose, contributing to stagnation in the volume that we handled for processors. Beef sales declined 4.5% from the previous year.

(c) Pork

Sales of domestic products and premium products such as "Omega Balance Pork" increased, but sales of our mainstay imported frozen products declined because procurement prices were high. Pork sales declined by 1.1% from the previous year.

In the year through March 2009, we intend to get off the ground with our venture into the new business field of "Jun Wakei" (pure Japanese chicken) and expand our overall Meat and Poultry Products business. We expect to post

Net Sales by Segment 2004-2008



Note: In the year ended March 2005, Nichirei redefined its business segments in connection with its introduction of a division company structure.
Segment information of the year ended March 2004 is shown under the old segmentation.

86,000 million yen in net sales, up 2.5% from a year earlier, and ¥800 million in operating income, up 31.3%.

Logistics

	2007.3	2008.3	Change (%)
Net sales	¥ 134,073	¥ 138,745	3.5
Operating income	7,227	8,506	17.7
Operating margin	5.4%	6.1%	

(¥ Million)

In the temperature-controlled logistics industry in the year ended March 2008, the business environment continued to be subject to harsh conditions. Costs increased due to such factors as higher oil prices, the need to reduce damage to the environment, and the need to deliver more sophisticated distribution quality, but little progress was made toward passing on increased costs to customers. Furthermore, the average inventory ratio for refrigerated warehouses declined relative to the previous year, partly because marine product import volume decreased. Storage intake volume in Japan's 12 largest cities was 10,188,000 tons, little changed from the previous year, while the average utilization rate fell 1.4 percentage points to 33.9%.

Despite this unfavorable environment, our Logistics business achieved a 3.5% year on year increase in net sales to ¥138,745 million (US$1,384.6 million), while operating income grew by 17.7% to ¥8,506 million (US$84.8 million). Factors behind this success included growth in our overseas business, mainly in Europe, and improvements in the profitability of our Logistics Network Business.

(a) Logistics Network Business

Net sales in our Logistics Network Business grew 3.2% over the previous year to ¥70,945 million (US$708.0 million), thanks in part to expansion of our transport business, including a new transfer center that came on line in the previous year and the commissioning of convenience store deliveries. Despite the sharp rise in fuel prices, we reduced costs by increasing delivery vehicle usage rates and making other improvements in the efficiency of our distribution and delivery operations. Operating income grew by 27.9% over the previous year to ¥2,203 million (US$21.9 million).

(b) Regional Storage Business

Although inventory volumes continued to drop in the industry as a whole, our Regional Storage Business was able to maintain its inventory ratio near the previous-year level thanks to our policy of tailoring operations to local requirements. Nevertheless, net sales declined 2.6% year on year to ¥44,180 million (US$440.9 million). Although we continued to work hard to minimize operating costs, operating income declined by 5.9% to ¥4,928 million (US$49.1 million), due to such factors as the closing of an aging distribution center and increased depreciation expenses resulting from tax system revisions.

(c) Overseas Business

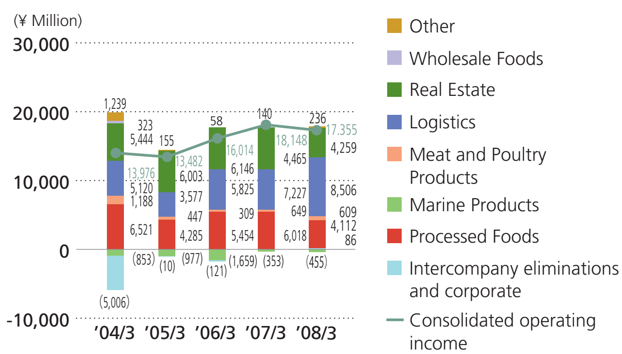
In Europe (Netherlands, Germany, and Poland), net sales and operating income increased as transport and customs clearing business based at the port of Rotterdam grew, continuous cargo collections in our storage business paid off, and imports of fruit juice recovered.

In China (Shanghai), net sales improved thanks to aggressive sales efforts and thorough cost-control measures such as cargo consolidation. As a result, net sales from the Overseas Business increased by 26.0% to ¥22,374 million (US$223.3 million) and operating income surged by 118.4% to ¥1,571 million (US$15.6 million).

In order to expand business in Eastern Europe, we reinforced our sales network in Poland, where consumer markets are growing, and began establishing a new distribution center with refrigerated warehouses, which is scheduled to start operations in October 2009.

In the year through March 2009, we expect net sales to grow by 2.7% to ¥142,500 million as our transport business expands with the introduction of a new business model in our Logistics Network Business and greater cooperation with refrigerated warehouses in our Regional Storage Business. However, we anticipate that operating income will decline by 8.3% to ¥7,800 million because of higher electric power costs and the cost of replacing outdated facilities.

Operating Income by Segment 2004-2008



Note: In the year ended March 2005, Nichirei redefined its business segments in connection with its introduction of a division company structure.
Segment information of the year ended March 2004 is shown under the old segmentation.

Real Estate

	2007.3	2008.3	Change (%)
Net sales	¥ 7,882	¥ 7,528	-4.5
Operating income	4,465	4,259	-4.6
Operating margin	56.6%	56.6%	

(¥ Million)

In the fiscal year ended March 2008, we improved our earning capacity in the office rental business and strengthened the Group's revenue base by providing support for more efficient use, management, and maintenance of properties owned by the Nichirei Group. Net sales from our Real Estate business declined by 4.5% from the previous year to ¥7,528 million (US$75.1 million), and operating income declined by 4.6% to ¥4,259 million (US$42.5 million).

(a) Real Estate Sales

We sold detached houses in Ushiku City, Ibaraki Prefecture, and residential units in" Urban Grace Makuhari" developed in cooperation with Chiba City. We also sold a plot of land (1,602 m^2) in Himeji, Hyogo Prefecture and another (1,229 m^2) in Yaizu, Shizuoka Prefecture.

(b) Real Estate Rentals

We remodeled our rental office space and worked hard to maintain occupancy rates. We posted stable earnings by filling throughout the year the new units that we added to "Makuhari Housing Park" in Chiba City.

In the fiscal year through March 2009, we will boost the competitiveness of our office rental space by updating the facilities. Nevertheless, due to the decline in land sales and other factors, we expect net sales to decline by 3.0% to ¥7,300 million, and operating income to decline by 15.5% to ¥3,600 million.

Other Operations

	2007.3	2008.3	Change (%)
Net sales	¥ 6,972	¥ 6,335	-9.1
Operating income	140	236	68.6
Operating margin	2.0%	3.7%	

(¥ Million)

In our biosciences business in the fiscal year through March 2008, sales of simple diagnostic agents were stagnant, but there was strong demand for histological stains and culture media. Net sales from Other Operations as a whole declined by 9.1% to ¥6,335 million (US$63.2 million), but operating income jumped 68.6% to ¥236 million (US$2.3 million).

In the fiscal year through March 2009, we expect our biosciences business to see solid sales of culture media in response to aggressive sales efforts. We forecast that net sales will rise by 4.2% to ¥6,600 million, and operating income will decline by 57.7% to ¥100 million.

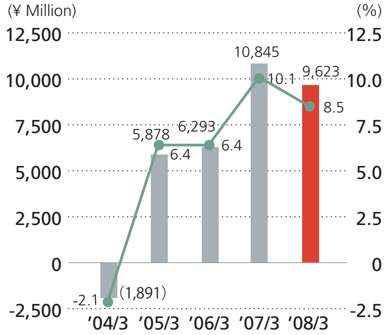
Other Income and Expenses

The net amount of other income and expenses in the fiscal year through March 2008, was a loss of ¥883 million (US$8.8 million), compared with income of ¥1,051 million the previous year. The main reasons for the loss were the fact that this year we did not post ¥2,987 million in gains on the sale of investments in affiliates, or ¥1,280 million in refunds for prior property tax that we posted the previous year.

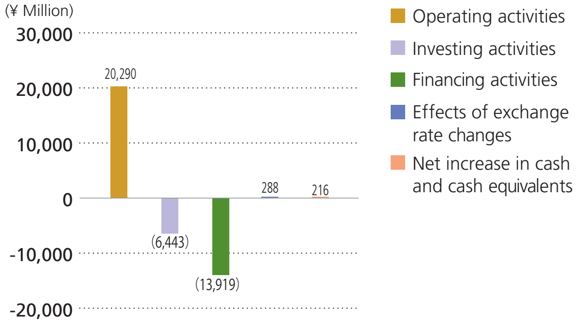
Income before Income Taxes and Net Income

As a result of the above, income before income taxes and minority interests in the fiscal term through March 2008 amounted to ¥16,472 million (US$164.3 million), down 14.2% from the previous year. Net income declined by 11.3% to ¥9,623 million (US$96.0 million), and net income per share was ¥31.04 (US$0.310), compared to ¥34.97 per

Net Income or Loss and ROE 2004-2008



Cash Flows 2008



share the previous year.

In the year through March 2009, we expect that growth in sales of prepared frozen foods for commercial use and the return of our Marine Products business to the black will help us boost net sales by 3.5% over this year to ¥479,600 million. We forecast operating income of ¥17,800 million, an increase of 2.6% over the year ended March 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash generated by operating activities in the fiscal year through March 2008 decreased by ¥2,141 million (US$21.3 million) from the previous year to ¥20,290 million (US$202.4 million). Factors behind this result included an increase of about ¥1.5 billion (US$15.8 million) in operating capital (trade receivables, inventories, accounts payable), and a year-on-year increase of about ¥1.6 billion (US$16.4 million) in income taxes paid, to some ¥7,472 million (US$74.5 million).

Net cash used in investing activities increased by ¥581 million (US$5.8 million) from ¥5,861 million the previous year to ¥6,443 million (US$64.3 million) in the fiscal year through March 2008, because capital expenditures exceeded the net proceeds received from the sale of land, facilities, and shares accompanying the dissolution of Tengu Company, Inc.

Net cash used in financing activities this fiscal year totaled ¥13,919 million (US$138.9 million), a decrease of ¥2,648 million (US$26.4 million) from ¥16,567 million used in the previous year. The main factors behind the change were declines in dividend payments and interest-bearing debt.

Proceeds from the liquidation of assets helped reduce interest-bearing debt by ¥6,832 million (US$68.1 million) from the end of the previous year to ¥66,138 million (US$660.0 million). The average of interest-bearing debt at the beginning and end of the fiscal year amounted to 3.7 years the amount of net cash provided by operating activities, compared with 3.4 years in the previous fiscal year.

Free cash flow generated in the year through March 2008 decreased by ¥2,723 million (US$27.1 million) to ¥13,846 million (US$138.1 million), but at the same time our net interest expense improved from ¥750 million the previous year to ¥661 million (US$6.5 million) in the year ended March 2008.

As a result of the above and other factors, our balance of cash and cash equivalents at the end of March 2008 increased by ¥607 million (US$6.0 million) from a year earlier to ¥4,121 million (US$41.1 million).

The Balance Sheet

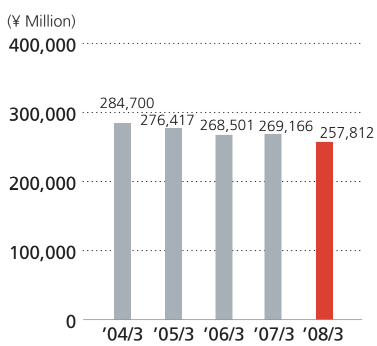
In the year ended March 2008, the Nichirei Group's total assets decreased by ¥11,353 million (US$113.3 million) to ¥257,812 million (US$2,572.9 million). Major factors behind the decline included a decrease of ¥2,289 million (US$22.8 million) in trade notes and accounts receivable – partly because the last day of the fiscal year was a bank holiday – as well as a decrease of ¥2,335 (US$23.3 million) million in inventories due to optimization of inventory levels in our Marine Products business, and a decline of ¥9,087 million (US$90.6 million) in shareholdings due to sales and drops in market value.

Current assets decreased by ¥4,562 million (US$45.5 million) to ¥103,097 million (US$1,028.9 million) due to declines in trade notes and accounts receivable and in inventories.

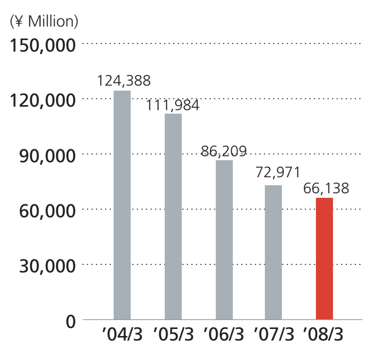
Property, plant and equipment increased by ¥2,341 million (US$23.3 million) to ¥111,876 million (US$1,116.5 million). Most of this increase was due to growth in land holdings with the acquisition of property for the operations of Riverside Funding Corp., a consolidated subsidiary.

The value of investments and other assets declined by ¥9,132 million (US$91.1 million) to ¥42,838 million (US$427.5 million) because of a drop in investment

Total Assets 2004-2008



Interest-Bearing Debt 2004-2008



securities.

Meanwhile, total liabilities as of the end of March 2008 were ¥141,323 million (US$1,410.4 million), down ¥14,770 million (US$147.4 million) from a year earlier. By optimizing the timing of purchasing in our Marine Products business, we reduced trade notes and accounts payable by ¥2,963 million (US$29.5 million). We also reduced income taxes payable by ¥2,393 million (US$23.8 million), and reduced interest-bearing debt by ¥6,832 million (US$68.1 million), from ¥72,971 million at the end of the previous year to ¥66,138 million (US$660.0 million).

Current liabilities decreased by ¥5,042 million (US$50.3 million) to ¥81,247 million (US$810.8 million), largely because of a ¥5,000 million decline in outstanding corporate bonds. Long-term liabilities declined by ¥9,728 million (US$97.0 million) to ¥60,076 million (US$599.5 million), mainly as a result of a ¥7,577 million (US$75.6 million) decline long-term debt, and a ¥1,726 million (US$17.2 million) reduction in deferred tax liabilities.

Total net assets for March 2008 were ¥116,488 million (US$1,162.5 million), up ¥3,416 million (US$34.1 million) from a year earlier, partly due to an increase of ¥6,831 million (US$68.1 million) in retained earnings. Shareholders' equity* this fiscal term was ¥107,338 million (US$1,071.2 million), or 41.6% of total assets, up 4.2 percentage points from a year earlier. The debt-to-equity ratio was 0.58, versus 0.66 at the end of the previous fiscal year.

* For readers' convenience, shareholders' equity is calculated as net assets minus minority interests, for the graphs at the bottom of this page and on pages 2-3.

Significant Risk Factors Impacting Operating Results

Significant risk factors we can determine as of the end of March 2008 that could affect investors' investment decisions, of which some involve possible future developments, include the following:

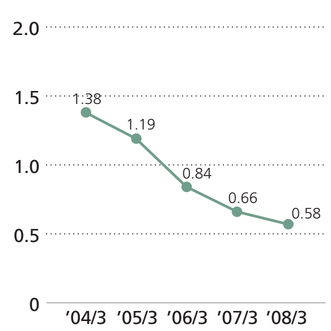
(a) Food safety issues

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

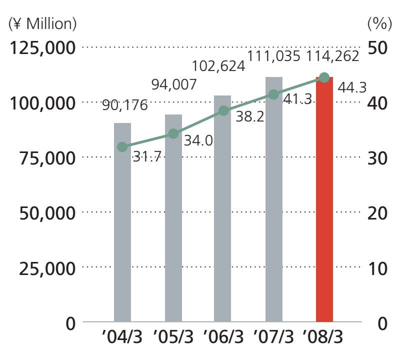
(b) Fluctuations in prices of merchandise or materials, or in other costs

In the Marine Products business, we import our main products (e.g. shrimp, crab and octopus) from around the world. Prices of these products are affected by worldwide demand, harvest sizes, and other factors, while at the same time domestic market prices for marine products are affected by the amount of fish caught off the coasts of Japan and domestic demand, etc. In the Meat and Poultry Products business, market prices for both domestic and imported meat and poultry can become very volatile in reaction to events that dramatically affect supply and demand, such as import bans imposed in response to food safety issues or the imposition of emergency import restrictions ("safeguard

Debt-to-Equity 2004-2008



Shareholders' Equity and Equity Ratio* 2004-2008



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

measures"). In the Processed Foods business, in which we convert the materials mentioned above as well as other materials into finished products, we work hard to improve production efficiency and to continually lower our cost of sales, but we are affected by fluctuations in crude oil and grain markets, and in the purchase prices of other materials. Thus, fluctuations in the prices of merchandise or materials, or in other costs, could have a significant impact on the Group's results.

(c) Product recalls

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

(d) Risks involving long-term assets

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

(e) Securities price risk

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

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

(f) Exchange-rate risks

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

(g) Changes in laws and regulations

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

(h) Information system security

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

Consolidated Balance Sheets

Nichirei Corporation and Consolidated Subsidiaries

As of March 31, 2007 and 2008

Assets	Millions of yen 2007	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2008
Current assets:			
Cash and cash equivalents *(Note 6)*	¥ 3,514	¥ 4,121	$ 41,130
Notes and accounts receivable – trade	66,615	64,325	641,974
Less allowance for doubtful accounts	(113)	(145)	(1,451)
Inventories *(Note 3)*	32,601	30,266	302,061
Deferred tax assets *(Note 10)*	1,632	1,004	10,021
Other current assets	3,410	3,525	35,183
Total current assets	107,660	103,097	1,028,920
Property, plant and equipment *(Notes 5 and 6)*:			
Land	26,509	30,434	303,738
Buildings and structures	190,799	193,500	1,931,140
Machinery and equipment	69,301	71,034	708,932
Construction in progress	478	915	9,140
	287,090	295,885	2,952,951
Less accumulated depreciation	(177,555)	(184,009)	(1,836,421)
Property, plant and equipment, net	109,534	111,876	1,116,529
Investments and other assets:			
Investment securities *(Notes 4 and 6)*	27,797	18,833	187,960
Investment in affiliates	5,603	5,470	54,599
Deferred tax assets *(Note 10)*	1,615	1,363	13,605
Other *(Notes 5 and 6)*	18,093	17,617	175,827
Less allowance for doubtful accounts	(1,138)	(447)	(4,464)
Total investments and other assets	51,970	42,838	427,527
Total assets	¥ 269,166	¥ 257,812	$ 2,572,978

The accompanying notes are integral parts of these statements.

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Current liabilities:			
Short-term bank loans *(Note 6)*	¥ 10,123	¥ 10,419	$ 103,990
Commercial paper	1,000	2,000	19,960
Current portion of long-term debt *(Note 6)*	12,556	12,004	119,810
Notes and accounts payables – trade	29,046	26,083	260,311
Income taxes payable	4,114	1,721	17,178
Accrued expenses	19,947	19,652	196,135
Accrued directors' bonuses	191	182	1,819
Other current liabilities	9,309	9,183	91,646
Total current liabilities	86,289	81,247	810,850
Long-term liabilities:			
Long-term debt *(Note 6)*	49,291	41,714	416,309
Accrued directors', statutory auditors' and employees' retirement benefits *(Note 15)*	3,258	3,191	31,848
Deferred tax liabilities *(Note 10)*	3,560	1,834	18,307
Accrued impairment loss on non-capitalized finance leases *(Note 11)*	1,941	1,685	16,820
Negative goodwill	115	86	859
Other	11,637	11,565	115,420
Total long-term liabilities	69,805	60,076	599,565
Total liabilities	156,094	141,323	1,410,415
Net assets			
Shareholders' equity *(Notes 7 and 8)*:			
Common stock, with no par value			
Authorized – 720,000,000 shares			
Issued and outstanding – 310,851,065 shares	30,307	30,307	302,473
Capital surplus	23,709	23,711	236,641
Retained earnings *(Note 19)*	46,847	53,678	535,718
Less treasury stock, at cost	(321)	(359)	(3,586)
Total shareholders' equity	100,543	107,338	1,071,247
Valuation, translation adjustments and other:			
Net unrealized holding gain on securities	8,203	4,141	41,334
Net deferred gain/(loss) on hedges	312	(101)	(1,010)
Translation adjustments	1,975	2,882	28,769
Total valuation, translation adjustments and other	10,491	6,923	69,093
Minority interests in consolidated subsidiaries	2,036	2,226	22,222
Total net assets	113,071	116,488	1,162,562
Total liabilities and net assets	¥ 269,166	¥ 257,812	$2,572,978

The accompanying notes are integral parts of these statements.

Consolidated Statements of Operations

Nichirei Corporation and Consolidated Subsidiaries

For the years ended March 31, 2007 and 2008

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2007	2008	2008
Net sales	¥ 457,655	¥ **463,591**	$ **4,626,664**
Operating costs and expenses:			
Cost of sales	368,855	**373,797**	**3,730,510**
Selling, general and administrative expenses *(Note 14)*	70,651	**72,439**	**722,946**
	439,506	**446,236**	**4,453,456**
Operating income	18,148	**17,355**	**173,208**
Other income (expenses):			
Interest and dividend income	476	**485**	**4,843**
Interest expense	(1,213)	**(1,118)**	**(11,165)**
Other – net *(Note 9)*	1,788	**(249)**	**(2,492)**
	1,051	**(883)**	**(8,814)**
Income before income taxes and minority interests	19,200	**16,472**	**164,394**
Income taxes *(Note 10)*:			
Current	6,219	**4,539**	**45,304**
Deferred	2,036	**2,081**	**20,775**
	8,256	**6,621**	**66,079**
Minority interests	98	**227**	**2,273**
Net income	¥ 10,845	¥ **9,623**	$ **96,040**

Amounts per share ***(Note 16)*:**	*Yen*		*U.S. dollars (Note 1)*
	2007	2008	2008
Net assets	¥ 358.08	¥ **368.56**	$ **3.678**
Net income:			
Basic	¥ 34.97	¥ **31.04**	$ **0.310**
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, 2007 and 2008

For the year ended March 31, 2007	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 (*1)	–	–	(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 holding gain on securities	Net deferred gain on hedges	Translation adjustments	Total valuation, translation adjustments and other	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2006	¥ 8,353	¥ –	¥ 890	¥ 9,243	¥ 630	¥ 103,255
Changes during the fiscal year:						
Dividends (*1)	–	–	–	–	–	(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

(*1) The amount included appropriation of retained earnings of ¥1,861 million approved at the general shareholders' meeting held on June 27, 2006.

For the year ended March 31, 2008	Millions of yen — Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2007	**¥ 30,307**	**¥ 23,709**	**¥ 46,847**	**¥ (321)**	**¥ 100,543**
Changes during the fiscal year:					
Dividends	–	–	(2,791)	–	(2,791)
Net income	–	–	9,623	–	9,623
Acquisition of treasury stock	–	–	–	(47)	(47)
Disposal of treasury stock	–	2	–	9	11
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the fiscal year	–	2	6,831	(38)	6,795
Balance as of March 31, 2008	**¥ 30,307**	**¥ 23,711**	**¥ 53,678**	**¥ (359)**	**¥ 107,338**

	Millions of yen — Valuation, translation adjustments and other: Net unrealized holding gain on securities	Net deferred gain / (loss) on hedges	Translation adjustments	Total valuation, translation adjustments and other	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2007	**¥ 8,203**	**¥ 312**	**¥ 1,975**	**¥ 10,491**	**¥ 2,036**	**¥ 113,071**
Changes during the fiscal year						
Dividends	–	–	–	–	–	(2,791)
Net income	–	–	–	–	–	9,623
Acquisition of treasury stock	–	–	–	–	–	(47)
Disposal of treasury stock	–	–	–	–	–	11
Net changes in items other than shareholders' equity	(4,062)	(413)	906	(3,568)	190	(3,378)
Total changes during the fiscal year	(4,062)	(413)	906	(3,568)	190	3,416
Balance as of March 31, 2008	**¥ 4,141**	**¥ (101)**	**¥ 2,882**	**¥ 6,923**	**¥ 2,226**	**¥ 116,488**

The accompanying notes are integral parts of these statements.

For the year ended March 31, 2008	Thousands of U.S. dollars (Note 1) Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2007	$ 302,473	$ 236,620	$ 467,538	$ (3,206)	$ 1,003,425
Changes during the fiscal year:					
Dividends	–	–	(27,860)	–	(27,860)
Net income	–	–	96,040	–	96,040
Acquisition of treasury stock	–	–	–	(475)	(475)
Disposal of treasury stock	–	20	–	95	116
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the fiscal year	–	20	68,179	(379)	67,821
Balance as of March 31, 2008	$ 302,473	$ 236,641	$ 535,718	$ (3,586)	$ 1,071,247

	Thousands of U.S. dollars (Note 1) Valuation, translation adjustments and other: Net unrealized holding gain on securities	Net deferred gain / (loss) on hedges	Translation adjustments	Total valuation, translation adjustments and other	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2007	$ 81,874	$ 3,117	$ 19,717	$ 104,710	$ 20,325	$ 1,128,461
Changes during the fiscal year						
Dividends	–	–	–	–	–	(27,860)
Net income	–	–	–	–	–	96,040
Acquisition of treasury stock	–	–	–	–	–	(475)
Disposal of treasury stock	–	–	–	–	–	116
Net changes in items other than shareholders' equity	(40,539)	(4,128)	9,051	(35,617)	1,896	(33,720)
Total changes during the fiscal year	(40,539)	(4,128)	9,051	(35,617)	1,896	34,101
Balance as of March 31, 2008	$ 41,334	$ (1,010)	$ 28,769	$ 69,093	$ 22,222	$ 1,162,562

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, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2008	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 19,200	¥ 16,472	$ 164,394
Depreciation and amortization	9,327	9,481	94,628
Impairment loss on fixed assets	1,196	46	464
Decrease in allowance for doubtful accounts	(211)	(657)	(6,566)
Decrease in accrued employees' retirement benefits	(250)	(73)	(730)
Equity in earnings of affiliates	(535)	(331)	(3,305)
Loss on disposal of property, plant and equipment	426	371	3,706
Loss on business restructuring	705	–	–
Loss on discontinued operation	266	38	382
Loss on devaluation of investment securities	163	390	3,897
Interest and dividend income	(476)	(485)	(4,843)
Interest expense	1,213	1,118	11,165
Refund of prior property tax	(1,280)	–	-
Gain on sales of property, plant and equipment	(591)	(586)	(5,852)
Gain on sales of investment in affiliates	(2,987)	–	–
Gain on sales of investment securities	(20)	(411)	(4,103)
(Increase) / decrease in notes and accounts receivable – trade	(1,836)	3,410	34,039
(Increase) / decrease in inventories	(1,627)	1,257	12,550
Increase / (decrease) in notes and accounts payable – trade	2,777	(3,084)	(30,780)
Other, net	1,884	1,129	11,276
Sub total	27,341	28,088	280,322
Interest and dividends received	890	815	8,137
Interest paid	(1,253)	(1,141)	(11,389)
Income taxes paid	(5,827)	(7,472)	(74,570)
Refund of prior property tax received	1,280	–	–
Net cash provided by operating activities	22,431	20,290	202,499
Cash flows from investing activities:			
Purchase of property, plant and equipment	(9,103)	(8,883)	(88,662)
Proceeds from sales of property, plant and equipment	767	1,658	16,550
Purchase of investment securities	(2,401)	(1,355)	(13,523)
Proceeds from sales of investment securities	4,883	2,533	25,287
Increase in cash and cash equivalents due to increase in consolidated subsidiaries	587	3	38
Decrease in short-term loans receivable	54	10	100
Other, net	(649)	(410)	(4,099)
Net cash used in investing activities	(5,861)	(6,443)	(64,308)
Cash flows from financing activities:			
(Decrease) / increase in short-term bank loans	(3,239)	137	1,371
Increase in commercial paper	1,000	1,000	9,980
Proceeds from long-term debt	300	341	3,408
Repayment of long-term debt	(1,740)	(2,536)	(25,309)
Redemption of bonds	(10,000)	(10,000)	(99,800)
Dividends paid	(2,788)	(2,784)	(27,788)
Other, net	(98)	(77)	(776)
Net cash used in financing activities	(16,567)	(13,919)	(138,915)
Effects of exchange rate changes on cash and cash equivalents	221	288	2,880
Net increase in cash and cash equivalents	223	216	2,155
Cash and cash equivalents at beginning of year	3,290	3,514	35,072
Net increase in cash and cash equivalents due to change in scope of consolidation	–	391	3,902
Cash and cash equivalents at end of year	¥ 3,514	¥ 4,121	$ 41,130

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 Financial Instruments and Exchange Law of Japan.

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

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

As permitted by the Financial Instruments and Exchange Law, 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 ¥100.20 = US$1.00, the exchange rate prevailing on March 31, 2008.

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 71 majority-owned subsidiaries (65 in 2007). All significant intercompany balances, transactions and profits have been eliminated in consolidation.

Investments in all of its 15 affiliates (15 in 2007) 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 operations 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.

(Change in accounting policy)

In accordance with the amendment of the Corporation Tax Law in FY2007, the Company and its consolidated domestic subsidiaries have changed the depreciation method used for property, plant and equipment acquired on or after April 1, 2007 to depreciate the assets to the nominal amount (¥1) rather than to the residual values or the limits of depreciable amount for tax purpose.

As for the property, plant and equipment acquired on or before March 31, 2007, the Company will depreciate the assets to the nominal value (¥1) over a period of 5 years by the straight-line method from the year following the year in which the assets are depreciated to the limits of depreciable amount.

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 and unrecognized prior service cost. 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 domestic subsidiaries' 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.

(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, 2007 and 2008 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: Inventories

Inventories as of March 31, 2007 and 2008 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2008	2008
Finished goods and merchandise	¥ 29,229	¥ **26,694**	$ **266,416**
Raw materials and supplies	3,372	**3,571**	**35,644**
	¥ 32,601	¥ **30,266**	$ **302,061**

Note 4: Securities

(1) The following table summarizes the acquisition costs, book value and net unrealized gain on available-for-sale securities as of March 31, 2007 and 2008.

	Millions of yen		*Thousands of U.S. dollars*
	2007	2008	2008
Equity securities:			
Acquisition costs	¥ 10,973	¥ **11,238**	$ **112,158**
Book value	23,588	**17,218**	**171,844**
Net unrealized gain	¥ 12,615	¥ **5,980**	$ **59,685**

(2) Information regarding sales of available-for-sale securities for the years ended March 31, 2007 and 2008 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2008	2008
Proceeds from sales	¥ 31	¥ **2,529**	$ **25,244**
Gains on sales	20	**411**	**4,103**
Losses on sales	–	**5**	**51**

(3) The following table shows the aggregate book value of available-for-sale securities with no available fair value as of March 31, 2007 and 2008:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2008	2008
Non-listed equity securities	¥ 4,030	¥ **1,456**	$ **14,537**

Note 5: 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, 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. Net realized values are calculated based on real-estate appraisal or assessed value for property tax purpose. Recoverable amounts are measured by net realizable values or values in current uses. The 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-owned subsidiaries of the Company recognized ¥461 million of impairment loss on the goodwill and building and structure for the year ended March 31, 2007 in accordance with the accounting principles generally accepted in Holland.

Primary use	Type of asset	Location	Impairment loss	Recoverable value
			Millions of yen	
Distribution center (To be closed)	Building and structure	Kushiro City, Hokkaido prefecture	¥ 17	Value in use
		Kushimotocho higashi-muro gun, Wakayama prefecture	50	
		Chuo-ku, Fukuoka city, Fukuoka prefecture	31	
		Shimonoseki City, Yamaguchi prefecture	27	
	Machinery and equipment	Kushiro City, Hokkaido prefecture	17	
		Kushimotocho higashi-muro gun, Wakayama prefecture	18	
		Chuo-ku, Fukuoka city, Fukuoka prefecture	44	
		Shimonoseki City, Yamaguchi prefecture	41	
		Chuo-ku, Fukuoka city, Fukuoka prefecture, etc	2	
	Intangible asset	Chuo-ku, Fukuoka city, Fukuoka prefecture, etc	2	
Biosciences	Long-term prepaid expenses	Chuo-ku, Tokyo	480	

(2) For the year ended March 31, 2008

Because it is not determined the use of those idle assets, the Company reduced book value of the assets to recoverable amounts, and recognized the reduced values as impairment losses amounting to ¥46 million ($464 thousand). Net realized values are calculated based on the assessed value for property tax purpose.

Primary use	Type of asset	Location	Impairment loss		Recoverable Value
			Millions of yen	*Thousands of U.S. dollars*	
Idle assets	Land	Sakaiminato City, Tottori Prefecture	¥ 27	$ 273	Net Realizable Value
		Ube city, Yamaguchi Prefecture	18	188	
	Intangible asset	Nagasaki city, Nagasaki Prefecture, etc.	0	2	

Note 6: 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, 2007 and 2008 were 1.927% and 1.797%, respectively.

Long-term debt as of March 31, 2007 and 2008 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*
	2007	2008	2008
The Company:			
0.99% bonds due 2007	¥ 10,000	¥ –	$ –
1.43% bonds due 2008	5,000	5,000	49,900
1.42% bonds due 2009	10,000	10,000	99,800
Unsecured loans, principally from banks and life insurance companies	32,843	31,632	315,691
Secured loans, principally from government-sponsored agencies	358	358	3,575
Consolidated subsidiaries:			
Loans, principally from banks	3,646	6,728	67,151
Less current portion	(12,556)	(12,004)	(119,810)
	¥ 49,291	¥ 41,714	$ 416,309

The aggregate annual maturities of long-term debt outstanding as of March 31, 2008 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2009	¥ 12,004	$ 119,810
2010	35,325	352,545
2011	4,486	44,770
2012	234	2,345
2013 and thereafter	1,668	16,647
	¥ 53,719	$ 536,119

The assets pledged as collateral for long-term debt as of March 31, 2007 and 2008 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2007	2008	2008
Property, plant and equipment	¥ 6,333	¥ 9,161	$ 91,434
Investment securities	565	365	3,647
Other assets	352	597	5,963
	¥ 7,251	¥ 10,124	$ 101,045

As of March 31, 2008, current portion of long-term debt and long-term debt include non-recourse loans, which restrict the collateralized assets, of ¥117 million ($1,167 thousand) and ¥3,899 million ($38,912 thousand), respectively. Those non-recourse loans are the loans of Yugen Kaisha Riverside Funding Corp, one of the consolidated subsidiaries, from financial institutions collateralizing its property. Repayments of those loans are funded solely from the income and/or capital gains on the property.

The carrying amounts of assets pledged as collateral for the non-recourse loans as of March 31, 2008 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
Cash and cash equivalents	¥ 244	$ 2,444
Building and structure	961	9,591
Land	3,309	33,024
Total	¥ 4,515	$ 45,060

Note 7: Shareholders' Equity

In accordance with the Corporation Law of Japan, the Company has provided a legal reserve, which was included in retained earnings. The Corporation Law provides that an amount equal to 10% of the amount to be disbursed as a distribution of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions. The legal reserve amounted to ¥39 million ($394 thousand) as of March 31, 2007 and 2008.

Note 8: Changes in Net Assets

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

For the year ended March 31, 2007

Number of shares

Type of stock	As of March 31, 2006	Increases	Decreases	As of March 31, 2007
Issued stock: Common stock	310,851,065	–	–	310,851,065
Treasury stock: Common stock	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

For the year ended March 31, 2008

Number of shares

Type of stock	As of March 31, 2007	Increases	Decreases	As of March 31, 2008
Issued stock: Common stock	310,851,065	–	–	310,851,065
Treasury stock: Common stock	764,072	81,881	21,975	823,978

(Reasons for changes)

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

Request for redemption of odd-lot stock 81,852 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. 29 shares

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

Request for additional purchase of odd-lot stock 21,975 shares

(2) Cash dividends distributed

Dividends paid during the fiscal year ended March 31, 2008

Resolution	Type of stock	Total dividends (Millions of yen and Thousands of U.S. dollars)	Dividend per share (Yen and U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 26, 2007	Common stock	¥ 1,551 $ 15,479	¥ 5 $ 0.05	March 31, 2007	June 27, 2007
Directors' meeting on October 30, 2007	Common stock	¥ 1,240 $ 12,381	¥ 4 $ 0.04	September 30, 2007	December 4, 2007

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

Resolution	Type of stock	Source of dividends	Total dividends (Millions of yen and Thousands of U.S. dollars)	Dividend per share (Yen and U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 25, 2008	Common stock	Retained earnings	¥ 1,240 $ 12,380	¥ 4 $ 0.04	March 31, 2008	June 26, 2008

Note 9: Other Income (Expenses)

Other income (expenses) -other, net for the years ended March 31, 2007 and 2008 consisted primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Gain on sales of property, plant and equipment	¥ 643	¥ **720**	$ **7,187**
Gain on sales of investment securities	20	**411**	**4,103**
Loss on sales and disposal of property, plant and equipment	(799)	**(1,009)**	**(10,079)**
Impairment loss on fixed assets	(1,196)	**(46)**	**(464)**
Loss on discontinued operations	(405)	**(141)**	**(1,416)**
Loss on devaluation of investment securities	(163)	**(390)**	**(3,897)**
Other, net	3,688	**207**	**2,073**
	¥ 1,788	¥ **(249)**	$ **(2,492)**

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, 2007 and 2008. The effective tax rates reflected in the accompanying consolidated statements of operations differ from the statutory tax rate for the following reasons:

	2007
Statutory tax rate	40.6%
Entertainment and other non-deductible expenses	1.6
Dividends and other non-taxable income	0.5
Elimination of dividends received from overseas affiliates	0.4
Equity in earnings of affiliates	(0.8)
Inhabitant per capita taxes	0.6
Other, net	0.1
Effective tax rate	43.0%

For the year ended March 31, 2008, the differences between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of operations was less than 5% of the statutory tax rate and, therefore, reconciliation has not been disclosed.

The components of deferred tax assets and deferred tax liabilities as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Deferred tax assets:			
Establishment of employees' retirement benefit trust	¥ 6,096	¥ 5,728	$ 57,167
Excess allowance for employees' retirement benefits	1,057	1,062	10,606
Net operating loss carryforwards	1,788	1,684	16,809
Loss on devaluation of investment securities	337	750	7,491
Accrued employees' bonus	757	688	6,867
Property, plant and equipment – unrealized profits and losses	582	582	5,809
Allowance for doubtful accounts	124	–	–
Depreciation	486	403	4,027
Impairment loss on fixed assets	1,756	1,346	13,436
Other	2,196	1,752	17,488
Total gross deferred tax assets	15,184	13,998	139,705
Less valuation allowance	(2,745)	(3,579)	(35,723)
Deferred tax assets	12,438	10,419	103,982
Deferred tax liabilities:			
Net unrealized holding gain on securities	(4,817)	(2,156)	(21,524)
Gain on securities contributed to employees' retirement benefit trust	(2,600)	(2,600)	(25,957)
Reserve and special reserve for advanced depreciation of property, plant and equipment	(1,990)	(1,703)	(17,004)
Other, net	(3,342)	(3,424)	(34,175)
Deferred tax liabilities	(12,751)	(9,885)	(98,662)
Net deferred tax assets	¥ (312)	¥ 533	$ 5,319

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, 2007 and 2008, 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
	2007	2008	2008
Acquisition costs	¥ 43,894	¥ 44,373	$ 442,850
Less accumulated depreciation	(18,413)	(20,787)	(207,462)
Less accumulated impairment loss	(2,405)	(2,405)	(24,008)
Net book value	¥ 23,075	¥ 21,180	$ 211,378

Future minimum lease payments subsequent to March 31, 2008 on finance leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Future lease payments:		
One year or less	¥ 3,622	$ 36,151
More than one year	20,808	207,670
Total	¥ 24,431	$ 243,822

Future minimum lease payments and income subsequent to March 31, 2008 on noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Future lease payments:		
One year or less	¥ 1,738	$ 17,354
More than one year	17,901	178,657
Total	¥ 19,640	$ 196,012

	Millions of yen	Thousands of U.S. dollars
Future lease income:		
One year or less	¥ 3,217	$ 32,112
More than one year	5,543	55,320
Total	¥ 8,760	$ 87,433

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, 2007 and 2008.

Note 13: Contingent Liabilities

As of March 31, 2008, 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	¥ 2,427	$ 24,226
As guarantor of indebtedness of employees	80	802
Total	¥ 2,507	$ 25,029

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, 2007 and 2008 were ¥2,034 million and ¥2,050 million ($20,459 thousand), respectively.

Advertising costs included in selling, general and administrative expenses for the years ended March 31, 2007 and 2008 were ¥4,386 million and ¥4,956 million ($49,463 thousand), respectively.

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

Accrued directors', statutory auditors' and employees' retirement benefits as of March 31, 2007 and 2008 are comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Employees' retirement benefits	¥ 3,037	¥ **2,976**	$ **29,709**
Directors' and statutory auditors' retirement benefits	221	**214**	**2,138**
Total	¥ 3,258	¥ **3,191**	$ **31,848**

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, 2007 and 2008 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Projected retirement benefit obligation	¥ 19,783	¥ **20,389**	$ **203,487**
Fair value of plan assets	(29,441)	**(20,941)**	**(208,993)**
Unrecognized actuarial gain/(loss)	5,415	**(4,163)**	**(41,548)**
Unrecognized prior service cost	1,616	**1,364**	**13,620**
Prepaid pension cost	5,664	**6,327**	**63,143**
Accrued employees' retirement benefits	¥ 3,037	¥ **2,976**	$ **29,709**

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, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Service cost	¥ 1,291	¥ **1,281**	$ **12,793**
Interest cost	329	**348**	**3,479**
Expected return on plan assets	(148)	**(177)**	**(1,770)**
Amortization of unrecognized prior service cost	(202)	**(162)**	**(1,624)**
Amortization of unrecognized actuarial gain	(762)	**(363)**	**(3,630)**
Other	225	**230**	**2,298**
Retirement benefits expenses	¥ 734	¥ **1,156**	$ **11,546**

The actuarial assumptions used for the years ended March 31, 2007 and 2008 are set forth as follows:

	2007	2008
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
	2007	2008	2008
Net assets	¥ 113,071	¥ **116,488**	$ **1,162,562**
Net assets attributable to common stock at the fiscal year end	111,035	**114,262**	**1,140,340**
Amounts excluded from net assets			
Minority interest	2,036	**2,226**	**22,222**
Number of common stock at the fiscal year end used for the calculation on net assets per share (in thousand)	310,086	**310,027**	–

Net income per share is calculated based on the followings:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Net income	¥ 10,845	¥ **9,623**	$ **96,040**
Net income attributable to common stock at the fiscal year end	10,845	**9,623**	**96,040**
Amounts not available to common shareholders	–	–	–
Average number of common stock during the fiscal year (in thousand)	310,132	**310,045**	–

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, 2007 and 2008 was summarized as follows:

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, 2008 (Millions of yen)

	Processed foods	*Marine products*	*Meat and poultry products*	*Logistics*	*Real estate*	*Other*	*Total*	*Intercompany eliminations and corporate*	*Consolidated*
Operating revenues	¥ 174,505	¥ 73,941	¥ 81,019	¥ 124,981	¥ 6,146	¥ 2,996	¥ 463,591	¥ –	¥ 463,591
Intercompany sales and transfers	502	727	2,919	13,763	1,381	3,339	22,634	(22,634)	–
Total	175,008	74,668	83,939	138,745	7,528	6,335	486,226	(22,634)	463,591
Operating expenses	170,895	75,124	83,330	130,238	3,268	6,099	468,957	(22,721)	446,236
Operating income	4,112	(455)	609	8,506	4,259	236	17,268	86	17,355
Total assets	¥ 73,001	¥ 24,258	¥ 15,798	¥ 104,205	¥ 25,026	¥ 3,910	¥ 246,200	11,612	257,812
Depreciation and amortization	¥ 2,755	¥ 79	¥ 61	¥ 5,488	¥ 602	¥ 96	¥ 9,084	397	9,481
Impairment loss on fixed assets	–	–	–	0	46	–	46	–	46
Capital expenditures	¥ 2,655	¥ 64	¥ 820	¥ 3,269	¥ 380	¥ 46	¥ 7,237	¥ 532	¥ 7,770

Year ended March 31, 2008 (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	$ 1,741,575	$ 737,934	$ 808,582	$ 1,247,324	$ 61,342	$ 29,904	$ 4,626,664	$ -	$ 4,626,664
Intercompany sales and transfers	5,011	7,263	29,141	137,360	13,788	33,327	225,893	(225,893)	–
Total	1,746,587	745,198	837,724	1,384,685	75,131	63,232	4,852,558	(225,893)	4,626,664
Operating expenses	1,705,545	749,748	831,641	1,299,786	32,620	60,871	4,680,213	(226,756)	4,453,456
Operating income	41,041	(4,550)	6,082	84,898	42,510	2,360	172,344	863	173,208
Total assets	$ 728,554	$ 242,098	$ 157,673	$ 1,039,978	$ 249,761	$ 39,023	$ 2,457,089	$ 115,889	$ 2,572,978
Depreciation and amortization	$ 27,504	$ 796	$ 616	$ 54,772	$ 6,011	$ 960	$ 90,661	$ 3,966	$ 94,628
Impairment loss on fixed assets	–	–	–	2	462	–	464	–	464
Capital expenditures	$ 26,505	$ 647	$ 8,190	$ 32,626	$ 3,796	$ 461	$ 72,228	$ 5,318	$ 77,547

Note 18: Related Party Transactions

Related party transactions for the years ended March 31, 2007 and 2008 were as follows:

(1) For the year ended March 31, 2007

(Millions of yen)

Category	Name	Address	Capital Investment	Description of business	Voting interest	Description of transactions	Amount of transaction (*1)
Affiliate	Kyoto Hotel	Nakagyo-ku Kyoto city	¥ 950	Hotel and restaurant	Direct 19.7%	Guarantor of indebtedness	¥ 2,427

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

(2) For the year ended March 31, 2008

(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	Nakagyo-ku Kyoto city	¥ 950 $ (9,481)	Hotel and restaurant	Direct 19.7%	Guarantor of indebtedness	¥ 2,327 $ (23,223)

(*2) The Company guarantees the bank borrowings of the affiliate. The amount of transaction represents the outstanding guarantee balance as of March 31, 2008.

Note 19: Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was approved at a general meeting of shareholders held on June 25, 2008.

	Millions of yen	*Thousands of U.S. dollars*
Year-end cash dividends (¥4.00=U.S.$0.04 per share)	¥ 1,240	$ 12,375

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, 2007 and 2008, 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, 2007 and 2008, 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, 2008 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 25, 2008

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)
31,068

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

No. of Full-Time Employees
6,054

Shareholder Register Administrator
Mizuho Trust & Banking Co., Ltd.
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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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