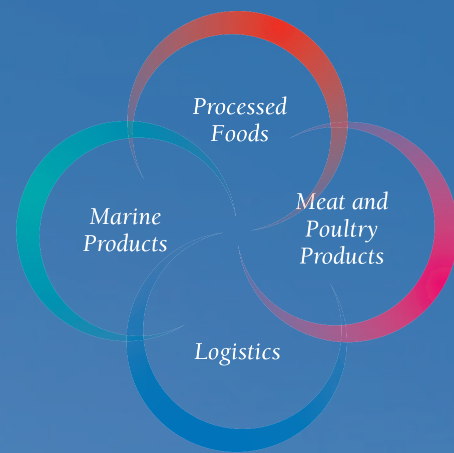
Medium-Term Business Plan

Energy 2012

Nichirei's determination to achieve sustainable growth



Ready, set ... jump into 2012!

ANNUAL REVIEW 2011

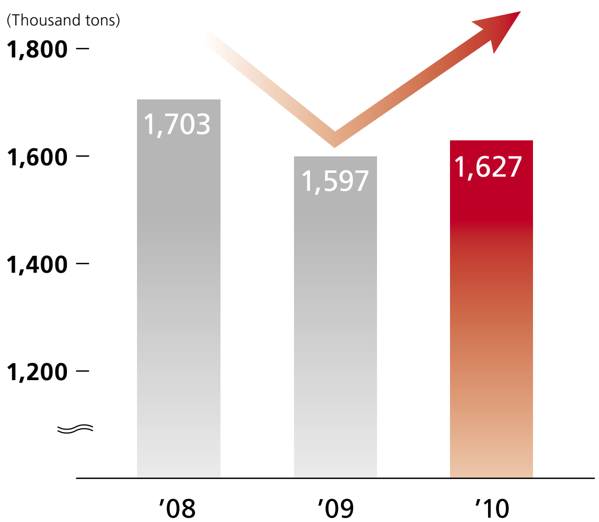
Year Ended March 31, 2011

Diagram of Holding Company System

Highlights of Nichirei's Business Environment

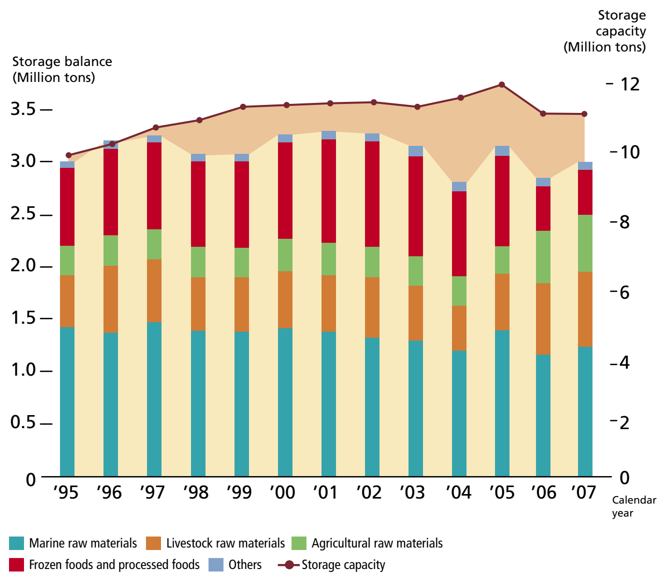
Demand for Frozen Foods in Japan

Japanese demand for frozen foods (tonnage of domestically produced and imported foods combined) bottomed out in 2010. Since then, demand has been increasing, primarily for home-use products.



Storage Capacities of Refrigerated Warehouses and Storage Balances by Category

The gap between supply and demand has become a stable feature of this industry. As customers' freedom to choose suppliers increases, operation of facilities that offer advanced functions is expected to be an increasingly important advantage.



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

Contents

Profile

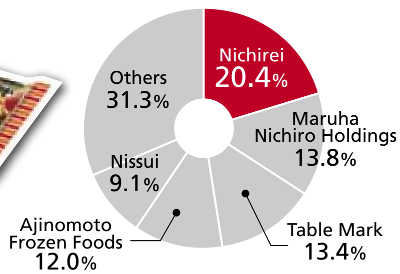
Nichirei Corporation is a holding company that determines strategies for the entire Nichirei Group, one of Japan's leading corporate groups involved in food-related businesses. The Nichirei Group consists of Nichirei Corporation, 74 consolidated subsidiaries and 13 affiliates. Its principal businesses 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.

Nichirei's No. 1 Categories

Market Shares in Japanese Frozen Food Market in 2010

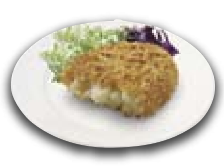
Nichirei holds the top share of the Japanese frozen foods market.



Source: The Nikkei

Nichirei Controls the Market for Processed Foods for Home Meal Replacement in Japan

In the market for frozen foods for commercial use, Nichirei controls the largest share in many categories, including processed chicken products such as fried chickens, and croquettes, etc.

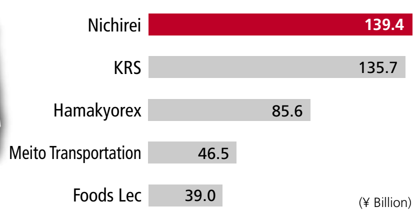


Type of Food	Market Size	Nichirei's Share
Chicken	Large	Industry leader
Potato croquettes	Large	Industry leader
Cream croquettes	Medium	Industry leader
Spring rolls	Medium	More than 50%
Minced meat patties	Small	Industry leader

Prepared by Nichirei based on information from Fuji Keizai Co., Ltd.

Japan's Major Low-Temperature Logistics Providers and their Net Sales (in the fiscal year through March 2011)

Nichirei is No. 1 among Japanese low-temperature logistics providers in terms of net sales.



Japanese Refrigerated Warehouse Companies' Facility Capacities (as of January 1, 2011)

Nichirei is the overwhelming leader in terms of refrigerated warehousing capacity in Japan.

Ranking	Company / Group	Capacity Share
1	Nichirei Group	12%
2	Yokohama Reito	6%
3	Maruha Nichiro Group	5%
4	Toyo Suisan Group	3%
5	Nippon Suisan Group	3%

Source: Compiled using data from JARW as of January 1, 2011

Cautionary Statement with Respect to Forward-Looking Statements

This annual review 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 review. 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;
8) serious and unpredictable effects that may be caused by future events; and
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

	2002	2003	2004	2005
Income Statement Data (¥ Million)				
Net sales	¥ 558,191	¥ 563,440	¥ 496,611	¥ 461,426
Gross profit	99,482	102,121	95,510	88,836
Operating income	14,016	18,275	13,976	13,482
Income (loss) before income taxes and minority interests	5,235	9,377	(3,817)	10,830
Net income (loss)	4,062	5,216	(1,891)	5,878
Balance Sheet Data (¥ Million)				
Total assets	¥ 353,385	¥ 330,703	¥ 284,700	¥ 276,417
Interest-bearing debt*4	167,439	145,394	124,388	111,984
Total liabilities	264,728	238,925	194,010	181,779
Shareholders' equity*5	87,649	90,666	90,176	94,007
Other Selected Data (¥ Million)				
Capital expenditures	¥ 10,282	¥ 9,537	¥ 6,848	¥ 6,397
R&D expenditures	2,294	2,279	2,090	2,075
Per Share Data (¥)				
Net income – basic	¥ 13.06	¥ 16.16	¥ (6.28)	¥ 18.45
Cash dividends	6	6	6	6
Net assets	282.00	291.46	290.38	302.50
Financial Ratios (%, Times)				
Gross profit margin	17.82%	18.12%	19.23%	19.25%
Operating margin	2.51	3.24	2.81	2.92
Return on equity (ROE)	4.6	5.9	(2.1)	6.4
Debt-to-equity*4	1.91	1.60	1.38	1.19

Medium-Term Plan (2002-2004)

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

Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2011.
2. For the year ended March 31, 2011, eight subsidiaries were included and eight were excluded from consolidation, resulting in a total of 74 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 13 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. The figures for interest-bearing debts do not include leased obligations.
5. Shareholders' equity for the years ended March 2006 and thereafter = net assets – minority interests.

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

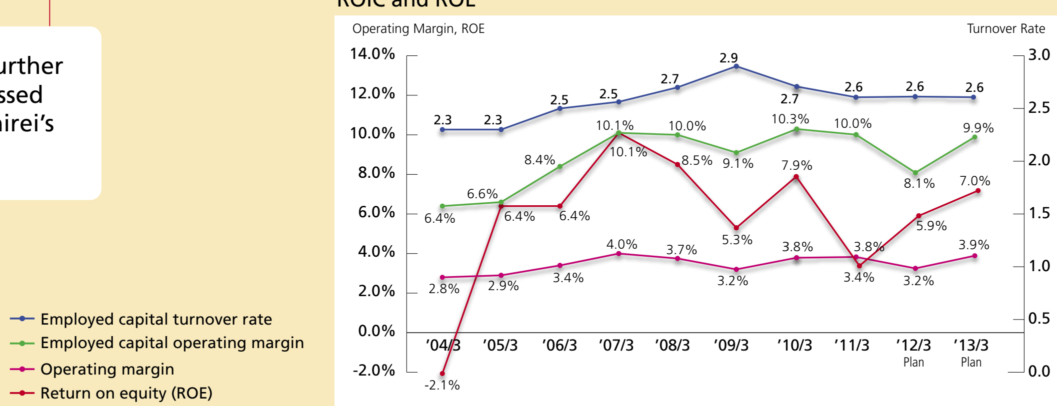
Increased capital expenditures to promote growth

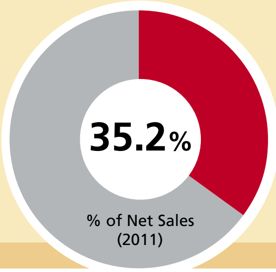
	2006	2007	2008	2009	2010	**2011**	Percent change 2011/2010	**2011**
								Thousands of U.S. dollars
	¥ 469,411	¥ 457,655	¥ 463,591	¥ 474,515	¥ 438,111	**¥ 437,808**	(0.1)%	$ 5,265,288
	91,577	88,799	89,794	87,328	87,957	**87,365**	(0.7)	1,050,691
	16,014	18,148	17,355	15,142	16,814	**16,681**	(0.8)	200,619
	13,138	19,200	16,472	11,362	14,380	**8,860**	(38.4)	106,557
	6,293	10,845	9,623	6,020	9,064	**4,044**	(55.4)	48,637
								Thousands of U.S. dollars
	¥ 268,501	¥ 269,166	¥ 257,812	¥ 287,296	¥ 277,496	**¥ 284,562**	2.5%	$ 3,422,279
	86,209	72,971	66,138	87,904	60,920	**72,479**	19.0	871,665
	165,246	156,094	141,323	174,096	154,802	**166,813**	7.8	2,006,179
	102,624	111,035	114,262	110,958	119,468	**115,058**	(3.7)	1,383,740
								Thousands of U.S. dollars
	¥ 7,496	¥ 9,751	¥ 7,770	¥ 14,883	¥ 24,385	**¥ 22,110**	(9.3)%	$ 265,904
	2,042	2,034	2,050	2,191	1,986	**1,806**	(9.1)	21,720
								U.S. dollars
	¥ 19.83	¥ 34.97	¥ 31.04	¥ 19.42	¥ 29.24	**¥ 13.08**	(55.4)%	$ 0.157
	9	8	8	9	9	**9**	0	0.108
	330.40	358.08	368.56	357.85	385.47	**377.08**	(2.2)	4.534
	19.51%	19.40%	19.37%	18.40%	20.08%	**19.96%**	–	–
	3.41	3.97	3.74	3.19	3.84	**3.81%**	–	–
	6.4	10.1	8.5	5.3	7.9	**3.4**	–	–
	0.84	0.66	0.58	0.77	0.52	**0.61**	–	–

Medium-Term Plan (2005-2007) | Medium-Term Plan (2008-2010) | Medium-Term Plan (2011-2013)

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

ROIC and ROE



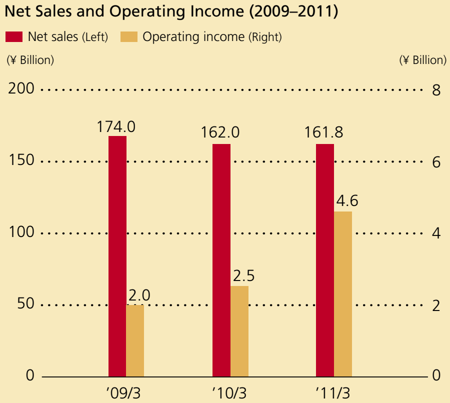


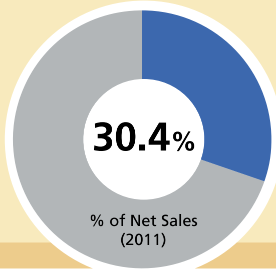
Processed Foods

Nichirei Foods Inc.

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

Net Sales and Operating Income (2009–2011)



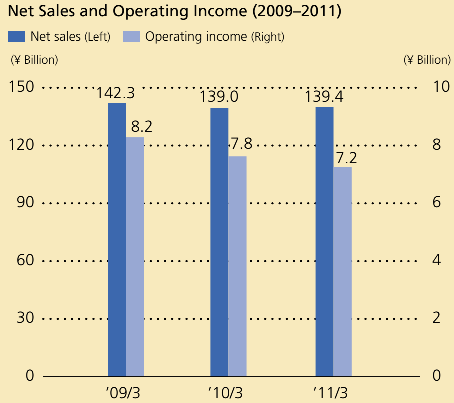


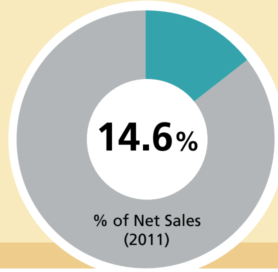
Logistics

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 a market share that ranks No. 1 in Japan and No. 6 worldwide, Nichirei has secured a solid position in the refrigerated warehousing business.

Net Sales and Operating Income (2009–2011)



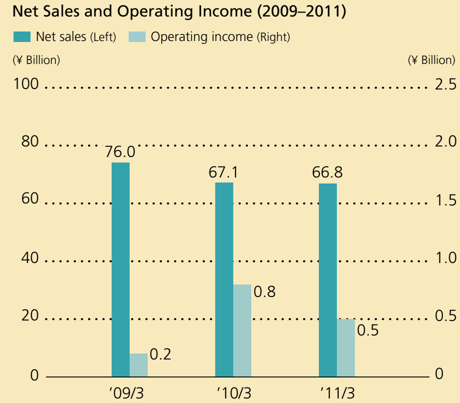


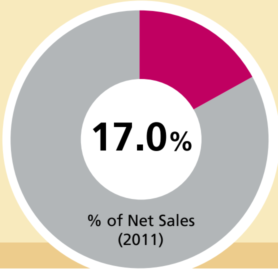
Marine Products

Nichirei Fresh Inc.

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

Net Sales and Operating Income (2009–2011)



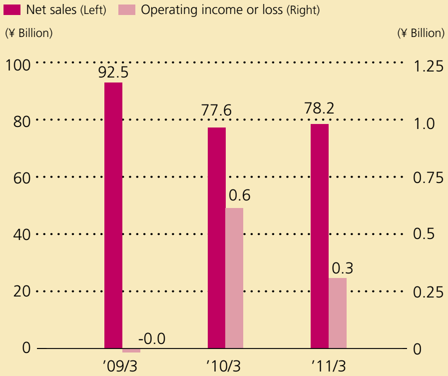


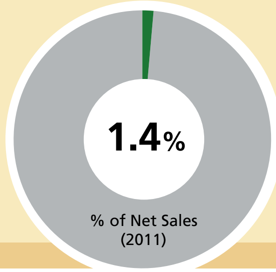
Meat and Poultry Products

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 or Loss (2009–2011)



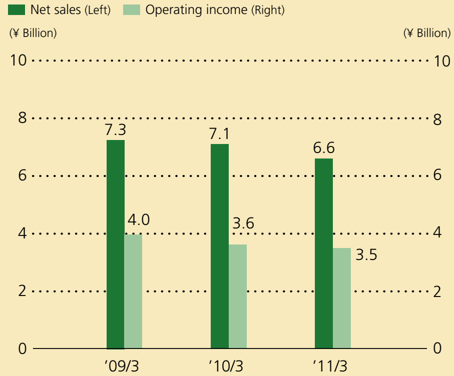


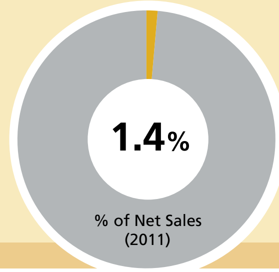
Real Estate

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 (2009–2011)



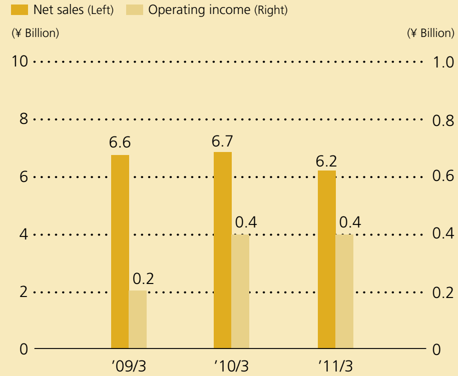


Other Operations

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.
- Nichirei Proserve provides Nichirei Group companies back-office operations-related solution services, which include more than mere cost reductions.

Net Sales and Operating Income (2009–2011)



We will keep our eyes on our mission — providing safe and reliable food supplies — and give our all to the successful execution of "Energy 2012."

Overall, we completed the first year of our “Energy 2012” Medium-Term Business Plan according to plan.

As head of a company that bears responsibility for contributing to the safety of consumers’ daily life, we first want to take this opportunity to express our sincere condolences on the passing of those who lost their lives in the recent Tohoku-Kanto Earthquake, and our heartfelt sympathy to the victims who survived.

The fiscal year through March 2011 was the first year covered by Nichirei’s “Energy 2012” Medium-Term Business Plan, which calls for the achievement of sustainable profit growth by steadily implementing business strategies and rapidly adapting to environmental changes. On the whole, we met the first-year performance targets set forth in the plan. We made good progress toward restoring profitability in our Processed Foods business and stabilizing performance in the Marine Products segment. We feel we also made steady progress toward boosting our competitive position and strengthening our business base in preparation for moving to the next growth phase.

On the other hand, the Tohoku-Kanto Earthquake that caused immense damage primarily to eastern Japan also introduced a major element of uncertainty into the Japanese economy. We can predict how we will restore and cope with the direct damages that Nichirei sustained, but we do not yet have a complete picture of what the overall effects will be on markets and corporate performance. This tragic event has renewed our keen awareness that we bear responsibility for a vital aspect of social infrastructure — the stable provision of food supplies. Nichirei’s distribution bases, which fulfill the task of food distribution, and our overall capacity for stable provision of safe and reliable foodstuffs, constitute a vital part of the industry structure that sustains Japanese society. Going forward, we intend to use this experience to remain connected to our starting point, which is to “look at lifestyles and provide true satisfaction” as we strive to maintain our ability to help improve quality of life.

The fiscal year through March 2012 will be the second year of “Energy 2012.” Even after the catastrophic earthquake, our basic course is unchanged. We intend to steadily implement the policies that will allow us to make great strides in the plan’s third year. In the future, we will do our very best, by providing safe and reliable food, to achieve sustainable growth as a company that is trusted and needed by society.

August 2011

M. Urano

Mitsudo Urano
Representative Director and Chairman

Toshiaki Murai

Toshiaki Murai
Representative Director and President

"Energy 2012" Year One Checkup

- We fell somewhat short of our net sales target, but exceeded our goal for operating income.
- Performance by Processed Foods business was restored to acceptable levels, mainly thanks to improved profitability in the commercial-use chicken products and improved plant productivity.
- Sales of sushi toppings and other products aimed at the restaurant and home-meal replacement markets increased, and we made progress toward stabilizing the revenue base for our Marine Products business.
- Establishment of new transfer centers and winning a major new customer for our third-party logistics business helped boost profits.

Progress toward implementing proper reforms allowed us to reach our goals.

By achieving satisfactory results in the first year, we prepared a solid basis for moving on to the next phase.

"Energy 2012": Review of first year business results

The actual business environment versus initial expectations

One reason that "Energy 2012" got off to such a good start in its first year was the fact that the domestic and international business environments behaved largely as we expected when we first formulated the plan. However, there were two unexpected occurrences that did have significant impact. One was the sudden decline in the euro's value. While we did factor in some degree of currency risk in Europe, the rapid plunge caused an unexpectedly big drop in the net sales of our Logistics Group's Overseas business. The other unexpected event was the Tohoku-Kanto Earthquake that occurred in the final month of the first year. We have already restored almost all of the operating bases that were affected by the disaster, except one that we closed. We posted an extraordinary loss of ¥3.1 billion in damages (amounting to a loss of about ¥2.0 billion after reflecting tax effect accounting).

Target values and actual results

The table right above shows target and actual values for the first year of "Energy 2012." Although we fell somewhat short of our net sales target, we were able to exceed our operating income goal. Marine Products and Meat and Poultry Products did not quite meet their targets for operating income, but the shortfall was made up for by Processed Foods, which exceeded its target, and Logistics, which came very close to its target.

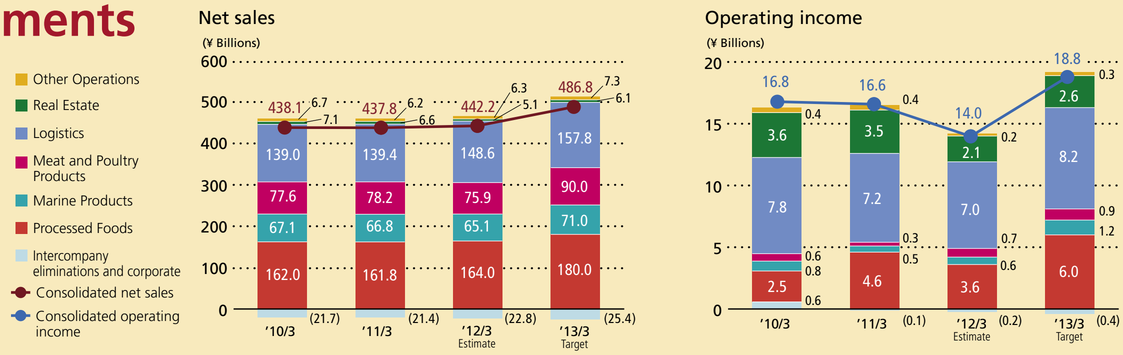
(¥ Billions, except income per share)

	'11/3	Year-on-year Change	'11/3 Targets	Actual vs Target
Net sales	437.8	(0.3)	449.7	(11.8)
Processed Foods	161.8	(0.1)	163.6	(1.7)
Marine Products	66.8	(0.3)	69.5	(2.6)
Meat and Poultry Products	78.2	0.6	82.3	(4.0)
Logistics	139.4	0.3	144.2	(4.7)
Operating income	16.6	(0.1)	16.5	0.1
Processed Foods	4.6	2.0	4.0	0.6
Marine Products	0.5	(0.3)	0.7	(0.1)
Meat and Poultry Products	0.3	(0.2)	0.8	(0.4)
Logistics	7.2	(0.5)	7.3	(0.0)
Net income	4.0	(5.0)	7.9	(3.8)
Net income per share (yen)	13.08	(16.16)	25.49	(12.41)

Major qualitative results

Profits from Processed Foods increased thanks to reduced procurement costs for processed chicken products and improvements in productivity at directly operated plants. Marine Products failed to meet its operating income target due to factors like the posting of an allowance for doubtful accounts. However, it handled a greater volume of sushi toppings and other products aimed at the restaurant and delicatessen markets, and made progress toward selecting clients, thereby stabilizing its business base to the point that we feel it is ready to aim for further business expansion.

“Energy 2012”: Remembering our starting point and focusing on improvements



Our basic policies remain unchanged, and we will make every effort to implement them successfully.

Unflagging effort is an integral part of the “Energy 2012” message.

Our Medium-Term Business Plan: Overview and Issues

Another look at the starting point of our Medium-Term Business Plan

We are vigorously tackling the goals of making rapid reforms and steadily recouping investments. This is the starting point of the “Energy 2012” plan, and it hasn’t changed in the aftermath of the recent devastating earthquake. In the second year of “Energy 2012,” we will continue to implement our basic strategies and give our best efforts to realizing the aims of our plan. We will keep on addressing the following themes that we identified when we formulated “Energy 2012” in order to enhance each business’ earning power and continue to lay a foundation for sustainable growth.

Processed Foods	• Establish overwhelming dominance of processed chicken products as our growth drivers • Enhance capacity for developing products that can adapt rapidly to environmental changes
Marine Products	• Reorganize product portfolio in order to improve gross profit margin • Further expand sushi toppings business and address demand for Japanese-style foods
Meat and Poultry Products	• Bolster brand strength by establishing recycling-oriented ingredient business model • Enhance development and sales systems in processed product business
Logistics	• Make the most of the Nichirei Group’s comprehensive strengths in order to expand transportation sales • Expand European network and enhance business base in China

Our challenge is to seize new opportunities for future growth

While we succeeded in meeting our company-wide numerical targets in the first year of our Medium-Term plan, segment results were mixed, and we found a number of issues that need to be resolved. We do not view such issues in a negative light, but rather take them as positive opportunities to prepare for the next growth phase. By the same token, rather than getting overly excited about our successes in the first year, we must identify even more areas where we can improve and link those improvements to new growth. The table below shows the main issues we need to address in the plan’s second year. By steadily resolving these issues, we expect to make great strides in our third year. Additionally, we anticipate that lease renewals will cause our Real Estate business’ operating income to decline by ¥1.5 billion in the fiscal year through March 2012, so we need other businesses to make up for that shortfall.

Processed Foods	• Rapidly stabilize operations at large-scale chicken plant in Thailand • Expand revenues from prepared frozen foods
Marine Products	• Accelerate development of new products and expansion of sales channels • Strengthen overseas production control systems and expand sales
Meat and Poultry Products	• Improve profitability of “Jun Wakei” (pure Japanese chicken) business • Develop and sell market demand-driven products
Logistics	• Make use of the Nichirei Group network of operating bases to expand transportation business • Promote chilled and room-temperature business • Improve profits in Poland; realize synergistic benefits from new French base

"Energy 2012": Year Two Challenges

Firm up our position as the overwhelming leader in the processed chicken products market

Steadily recoup the investment in "scrap and build" of our refrigerated warehouses

Steady resolution of issues creates a foundation for future growth.

We aim to realize sustainable growth by increasing earning power.

Major policies aimed at further advancement

Without appropriate resource allocation, we are not likely to achieve long-term growth for the Nichirei Group as a whole

In order to guide the Nichirei Group onto a long-term growth track, we intend to continue to direct the majority of our management resources to our two core businesses — Processed Foods and Logistics. Therefore, out of the entire Nichirei Group's investment budget of ¥12.1 billion for the second year of our plan, we will allocate ¥3.4 billion to Processed Foods and ¥5.9 billion to Logistics. Given the near certainty of price increases in crude oil and raw ingredients, we will unravel cross shareholdings and liquidate unnecessary assets in order to further improve capital efficiency.

Processed Foods

Our top priorities: full-capacity operation of new Thai chicken plant and appropriate response to rising prices

Nichirei already holds the top share of Japan's market for commercial-use frozen processed chicken products. One of the most important themes of our Medium-Term Business Plan is the honing of an even sharper edge in this market in terms of both cost and quality, in order to further increase this field's power to serve as a growth driver for Nichirei. In October 2010 we brought online our own new, large-scale chicken processing plant in Thailand, in a move that we hoped would give us that definitive edge. However, as of June 2011, the new plant was still not operating at full capacity. Our top focus in the second year of the "Energy 2012" plan is rapidly stabilizing operations and firming up our position as the overwhelming leader in the frozen processed chicken products market so that we can make great strides in the third year. And we respond in appropriate ways to the rising prices of ingredients due to increases in crude oil and grain prices.

Logistics

The keys to success will lie in recouping our investments and strengthening our transportation business

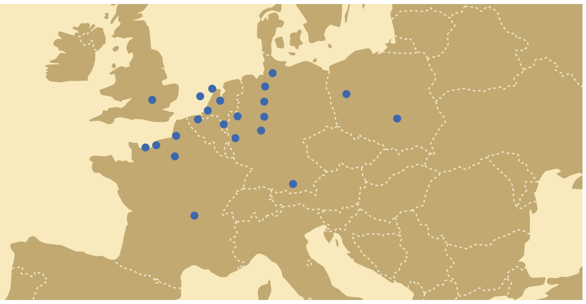
In the fiscal term through March 2011 we just about completed the "scrap and build" of facilities that we have been actively pursuing since our previous Medium-Term Plan. A key issue in the second year of our current Medium-Term Plan will be the steady recouping of that investment. In addition, we will strive even more aggressively to boost revenues by using our specialized logistics knowledge and the overall strength of the Nichirei Logistics Group to cultivate new clients and to lure business away from competitors. Another key issue will be the strengthening of our transportation business. At our transfer centers, we will increase 3-temperature-zone service including chilled and room-temperature deliveries and boost vehicle utilization in order to expand our transportation business.

Marine Products · Meat and Poultry Products

Focus on improving Meat and Poultry Products

Our Meat and Poultry Products segment has traditionally concentrated on premium ingredients. One reason profits declined was that the deflationary environment prevented us from passing on price increases when foot-and-mouth disease and abnormally hot weather pushed up procurement prices. In the second year of our plan, we will reinforce product development so that we can more quickly reflect such environmental changes and other changes in customer needs. We will also focus on reducing logistics costs. We aim to increase the contribution that our flagship "Jun Wakei" (pure Japanese chicken) business makes to Group profits by building a coherent supply chain through the acquisition of processing bases.

Strategy for overseas markets: Taking steps for Nichirei's future



Our Logistics Bases in Europe

Expanding our low-temperature logistics network in Europe and increasing synergistic benefits

Unless we succeed in overseas markets, sustainable growth is unlikely.

While maintaining our firm basis in the Japanese market, we will lay the foundation for full-fledged operations overseas.

Nichirei's overseas strategies

Our basic stance toward overseas markets

Nichirei sees plenty of opportunity for growth in the Japanese market in view of changes that are occurring in the competitive environment and in Japanese eating habits. Our center of gravity remains in Japan, where we intend to achieve stable growth by refining our technologies and adding further value. Taking a long-term view toward overseas markets, we plan to gradually increase the degree to which we actively engage in local marketing and sales channel development. We are now laying the groundwork for full-fledged overseas operations, which we will begin to develop under our next Medium-Term Business Plan.

Processed Foods

Commercial-use frozen foods business in China; acerola ingredient business development

To date, most of our business in China has been production for the Japanese market. Going forward, we will manufacture commercial-use frozen foods for the rapidly growing local Chinese market. We intend to steadily build a business base by reducing costs, training workers, and developing sales channels. In our acerola business, we aim to increase the volume of raw acerola that we procure from Brazil and Vietnam, which are the main producing areas. In addition, we will develop supplement markets overseas by making the most of our strengths in technologies and quality assurance that enable us to standardize the vitamin C content of acerola.

Logistics

Further growth in Europe; great potential in China

Nichirei has already been doing business in Europe for more than 20 years, providing our own brand of meticulous, high-quality low-temperature logistics services. As the world's sixth largest provider of logistics services, Nichirei's Logistics segment gains some 10% of its net sales overseas. We will use the new French operating base that we acquired in 2010 as a hub from which to cover southern Europe, and merge it with our existing network so as to produce synergistic benefits and achieve even greater growth. We have developed a delivery business in China consisting mainly of deliveries to convenience stores from our distribution center in Shanghai. As demand has increased, we have reached the limit of our existing capacity, and plan to open a second distribution center in the first half of the fiscal year through March 2012. In the future, we intend to expand our delivery area to surrounding cities and increase the scope of our operations in order to expand our overall business in China.

Marine Products · Meat and Poultry Products

Marine Products: Sushi toppings and other Japanese-style ingredients

Meat and Poultry Products: Ham and sausage

Our Marine Products business will focus on sales of sushi toppings and other Japanese-style ingredients in China, through Nisshobirei, and in North America, through Fisher King Seafoods of Canada. We are also looking into the future development of sales channels in Europe. Meat and Poultry Products established a ham and sausage sales company in Vietnam in 2010. Looking ahead, we plan to build a foundation for overseas sales primarily by developing sales channels in Asian markets.

Impact of the Tohoku-Kanto Earthquake

Sendai Distribution Center was damaged by tsunami. Operations were resumed after two months of intense restoration work.

We will never give up our quest for safe and reliable food supplies.

We will carefully study the effects on food markets as a whole, and take quick and appropriate countermeasures.

Impact on Nichirei's future

The Nichirei Group as a whole

The Tohoku-Kanto Earthquake caused damage to 22 of the Nichirei Group's operating bases. Almost all of the related extraordinary losses were posted in the fiscal year ended March 2011. Repairs and restorations are almost complete at all of the damaged locations except the facility in Kesennuma Factory, which we closed. In the fiscal term through March 2012, we expect the effects of the earthquake to decrease the Nichirei Group's overall net sales by ¥8.0 billion, decrease operating income by ¥500 million, and increase operating expenses by ¥200 million. We will continue to study the earthquake's effects on our markets and take prompt and appropriate countermeasures.

Processed Foods

We anticipate only slight direct effects on this segment in the future. However, we are aware of the following risks, which we cannot quantify.

- Retail stores may reduce their frozen food sections as a power-saving measure
- Factory utilization rates may decline if rolling blackouts are implemented
- Distribution costs may rise if we produce surplus inventories in anticipation of rolling blackouts
- Overseas production volumes may decline due to export restrictions on Japanese sub-ingredients
- Power-saving measures may push up labor and other costs

Logistics

In the fiscal term through March 2012, we expect declines of ¥2.5 billion in sales and ¥300 million in operating income due to lower facility utilization rates resulting from reductions in inventories and logistics demand in the Tohoku region where the earthquake occurred. At the present time we can imagine the following possible effects, which we cannot quantify.

- Inventory levels may rise due to such factors as the dispersion of business bases, the desire to avoid shortages, and advance production; this would have a positive effect on our business
- Electric power charges could rise, which would have a negative effect

Marine Products · Meat and Poultry Products

In the fiscal term through March 2012, we expect sales to decline by ¥3.9 billion and operating income to decline by ¥100 million due to such factors as decreased sales from the two marine products plants that were damaged by the earthquake and decreased demand for marine products starting with less demand from restaurants. At the present time we can imagine the following possible effects, which we cannot quantify.

- Retail stores may reduce marine product shelf space as a power-saving measure
- Sales may decline as a result of rumors related to accidents at Fukushima Daiichi Nuclear Power Plant
- Overseas production volumes may decline due to export restrictions on Japanese sub-ingredients

We expect Meat and Poultry Products sales to decline by ¥1.6 billion and operating income to decline by ¥100 million in the fiscal term through March 2012, as a result of such factors as shipment tie-ups arising from decreased chicken production in the Tohoku area. At the present time we can imagine the following possible effect, which we cannot quantify.

- Overseas production volumes may decline due to export restrictions on Japanese sub-ingredients

The quest for safe, reliable food supply lies at the heart of the Nichirei brand

It is difficult to get an overall picture of the effects, including unquantifiable risks, that the Tohoku-Kanto Earthquake will have on Nichirei. What we can say with certainty, however, is that no matter what happens we will never give up on the quest for safe and reliable food supply, which lies at the heart of the Nichirei brand. As the company that holds the top share of Japan's market for frozen foods and the leader in refrigerated storage capacity, Nichirei has an extremely important role to play and bears great responsibility for Japan's society and economy both during and after recovery from the recent disaster.

To all of our stakeholders

For the sake of sustainable growth, and for all of our stakeholders...

By creating Nichirei's own kind of value, we will maintain Nichirei's own brand of credibility.

We will devote all of our strength to advancing stakeholder value.

We aim to maintain Nichirei's credibility by fulfilling our "six responsibilities."

In order to realize sustainable growth, Nichirei has committed to fulfilling our responsibilities to society from six standpoints: 1) creation of new customer value, 2) improving employee job satisfaction, 3) thorough legal compliance, 4) establishment of corporate governance, 5) concern for the environment, and 6) contributing to society in ways that befit Nichirei. We promise to thoroughly fulfill these responsibilities and to continue to generate value for all the stakeholders with whom we will do business in the future.

Ensuring the safety and reliability of food supplies

The Tohoku-Kanto Earthquake and the ensuing problems at Fukushima Daiichi Nuclear Power Plant have shined a bright light on the importance of the food supply safety and reliability that Nichirei has always sought to provide. In the future, we will continue to work hard to secure safe food supplies, mainly through the Nichirei Quality Assurance Division, while providing accurate information about the quality and value of our products. We will also continue to implement quality risk management in order to prevent accidents related to quality or hygiene and to minimize the effects should such an accident occur. In particular, Nichirei Foods Inc. and Nichirei Fresh Inc. will continue to procure food resources in a stable manner and cooperate with the Nichirei Quality Assurance Division.

We will work at increasing capital efficiency and use various methods for returning profits to shareholders

Regarding the return of profits to shareholders, our goal for the medium- to long-term future is to achieve and maintain a consolidated return on equity ratio (ROE) of 10%, dividend-on-equity ratio (DOE) of 2.5%, and payout ratio of 25%. For the fiscal term through March 2011, we set the annual dividend payout at ¥9 per share. Nichirei's management is aware of the importance of our responsibility to pay attention to capital efficiency and make the most effective use of all management resources in order to achieve sustainable growth. We will continue to work to increase Nichirei's corporate value and stock value by allocating a certain amount of the cash flow generated from operating activities for investment in core businesses. In addition, we will continue to consider a variety of means of returning profits to shareholders, as we did in the fiscal term ended March 2011, when we acquired Nichirei shares. We would greatly appreciate the continued understanding and support of all our shareholders and investors.

Strategy: Make Our Core Businesses the Overwhelming Market Leader

Processed Foods

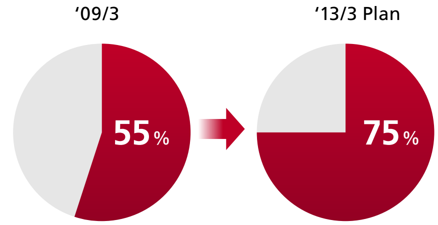
Our large-scale factory in Thailand will help Nichirei widen its lead in the chicken business even further.

Capital Investment: Theory and Practice

SUNIF Kabinburi Plant No. 2
Start of operations: October 2010
Total investment: ¥1,412 million

GFPT Nichirei (Thailand) Co., Ltd.
Start of operations: October 2010
Total investment: ¥6,246 million

In-house Production Ratio



We will widen our competitive edge even further by raising our in-house production ratio through stable operation of our two new plants.

GFPT Nichirei (Thailand) Co., Ltd.'s Competitive Advantages

1. Superior quality due to on-site slaughtering

- Fully integrated production lines perform every step from live chicken handling to meat processing and packaging, enabling us to secure a stable and high level of quality
- Optimal control of raw material freshness, temperature, and maturation; pre-processing is tailored to our own processing conditions

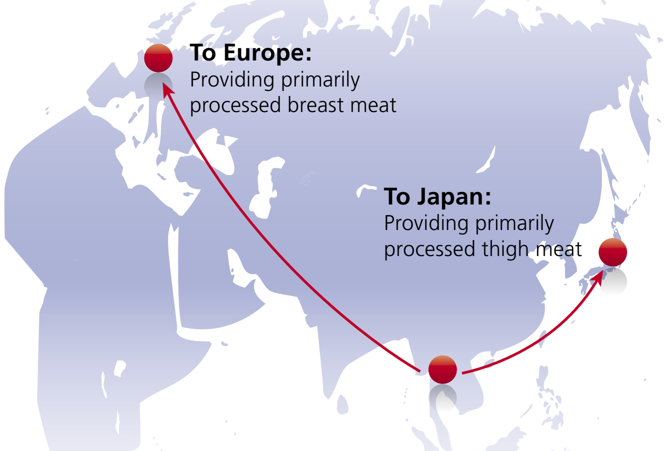
2. Improved profitability through use of by-products

- People in different localities favor different parts of the chicken; Nichirei can take advantage of that fact to market every part and eliminate waste
- We send thighs to the Japanese market and provide Europe primarily with breasts; we also make use of wings, organs, and bones, etc.

3. Extra room on the factory site allows potential for expansion

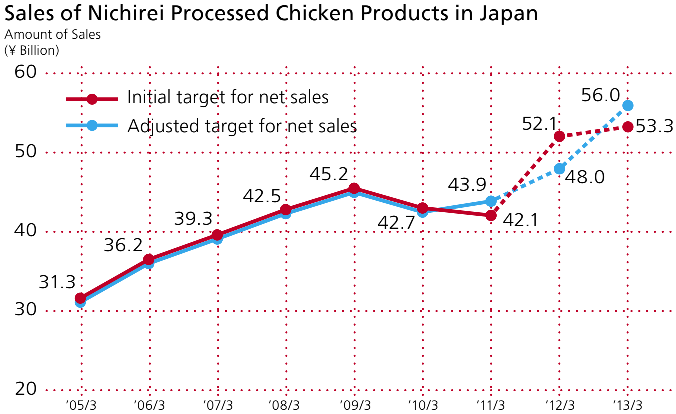
- We acquired enough space to add a third production line in addition to the two lines already in operation. This will allow us to respond smoothly to expanding demand for processed chicken products.

We are receiving plenty of inquiries and negotiations are proceeding smoothly; we are moving briskly toward stable operation

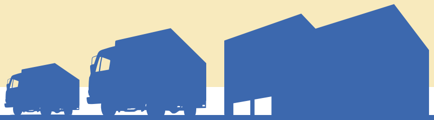


Because chicken meat is healthy and inexpensive, demand for it is increasing worldwide. We have begun test marketing of processed chicken breasts in the European market, where we expect ¥1.3 billion in sales in the fiscal term through March 2013.

Sales of Nichirei Processed Chicken Products in Japan



We are also expanding domestic sales channels. We expect sales to reach ¥56.0 billion in the fiscal term through March 2013, which should make a significant contribution toward meeting our Medium-Term Business Plan targets.



Logistics

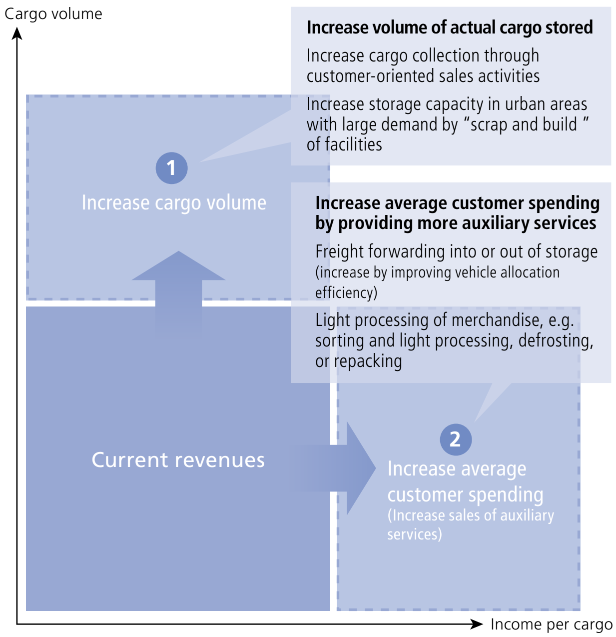
Further expand sales by offering one-stop service

Capital Investment: Theory and Practice

Refrigerated Warehouses Newly Opened by "Scrap and Build"

Start of operation	Name and location	Remarks	Refrigerated storage capacity (Tons)	Total investment (¥ Million)
February 2010	North Port/ Hokko DC Konohana Ward, Osaka	Good access inside and around Osaka	20,000	3,209
FY through March 2010			20,000	3,209
April 2010	Yamashita DC Chuo Ward, Yokohama	Specializes in storage of juice and cheese	12,144	2,455
August 2010	Fukuoka Higashihama DC Higashi Ward, Fukuoka	Enhanced delivery center function	20,458	4,810
February 2011	Higashi-Ogishima DC Kawasaki Ward, Kawasaki	Focus on delivery function as well as storage capacity; greater capacity for trunk line distribution	42,258	5,397
FY through March 2011			74,860	12,662

Increasing Regional Storage Revenues



We drove "scrap and build" of our existing facilities in order to increase capacity in major urban areas where demand is booming. In the past two years, we invested roughly ¥15.8 billion to bring online enough new refrigerated warehouse space to accommodate 95,000 tons of merchandise. We plan to expand both stored cargo volume and average spending per customer by offering excellent access to major urban areas, high-quality service including reliable temperature control and security, and auxiliary services such as transport and delivery. We aim to increase profits in the fiscal term through March 2013, the final year of our Medium-Term Business Plan.

We are off to a good start, and ready to further reinforce our distribution centers

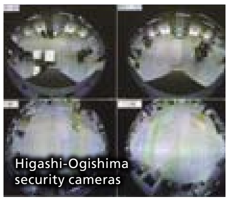

Fukuoka Higashihama Distribution Center

Operations began in September 2010. The facility concentrates transport and delivery functions throughout the Kyushu region through a sophisticated blending of storage and transport functions. We aim to develop a great deal of latent demand and increase sales by offering one-stop service.


Higashi-Ogishima Distribution Center

Operations began in February 2011. This new flagship base for the Tokyo metropolitan area shows off the whole gamut of Nichirei's expertise and latest technologies. We will work to increase sales by emphasizing the convenience of one-stop service linked to transport throughout the Kanto region. We expect full operation of Building 1 to start by the second quarter of the fiscal term through March 2012, which is also when we plan to start construction of Building 2.

Higashi-Ogishima transport facility


Higashi-Ogishima security cameras


Higashi-Ogishima seismic isolation equipment


Higashi-Ogishima energy-efficient freezer using natural refrigerant

Processed Foods

Nichirei Foods Inc.
Yasuhiro Ikeda, President

Chicken products are Nichirei's growth driver

We aim to fulfill our mission as a vital component of social infrastructure, and provide new value as one of the world's most trusted food processing companies.

Market and Industry Trends

- We saw signs of a recovery based on such factors as consumers' rediscovery of the convenience of frozen foods and their return to eating in more often. However, the tendency to favor low-priced items continued. From the second half, ingredient procurement prices gradually rose.

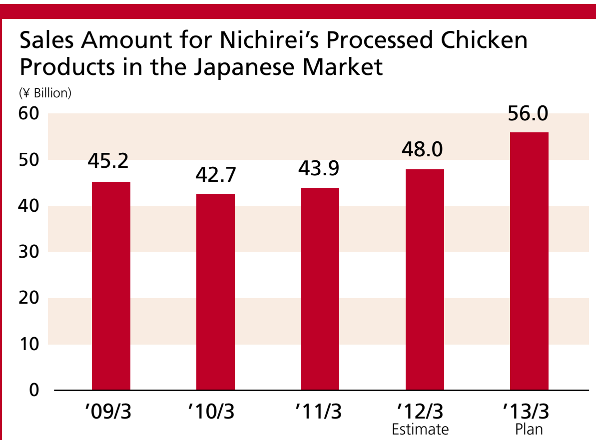
Our strong selling product "Honkaku-itame Cha-han"

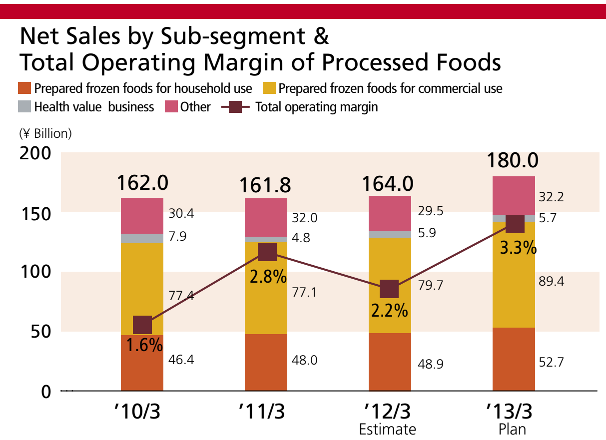
Performance Highlights from the Fiscal Year through March 2011

- Prepared frozen foods for household use: Strong sales of products such as "Honkaku-itame Cha-han," "Yaki-onigiri" and "Hon-wafu Wakadori Kara-age" led to increased revenues.
- Prepared frozen foods for commercial use: Although we enjoyed strong sales of processed meat products and Chinese-style ready-to-eat dishes and a recovery in sales of processed chicken products, sales declined due to poor sales of rice products and streamlining of our product lineup. Nevertheless, profits increased because we stabilized procurement costs and improved profitability by streamlining the product lineup.
- Processed agricultural products: Sales and profits increased thanks to growth in sales for commercial use as well as strong sales of frozen vegetables for household use — backed by shortages and price spikes in fresh vegetable markets and renewed appreciation for the convenience of frozen foods.
- Wellness foods: Revenues declined because of delays in introducing new products, but profits increased thanks to reductions in advertising expenses.
- Acerola: Sales decreased due to specialization in the raw ingredient business, but profits increased thanks to growth in ingredient sales both in Japan and abroad.

Processed agricultural products that sell well

Our acerola business enjoys solid sales of raw acerola ingredients





Major Policies for Year Two of the "Energy 2012" Plan

Chicken: Stabilize operations at new Thai plant

The main reason that our new large-scale chicken processing plant in Thailand was not yet operating in a stable manner is that we encountered difficulties in the hiring and training of slaughterhouse workers due to unexpectedly intense competition over human resources arising from rapid growth in the local electronics and automotive industries. As a result, we have been boosting our workforce by recruiting workers from Cambodia and other neighboring countries and having them stay in residential facilities on the grounds of our Thai plant. Although supplies of live chickens were disrupted by March's floods, the plant expects to meet its goal of processing 100,000 chickens per day by January 2012.

Prepared frozen foods for commercial use: Maintain low-priced products and create new added value

We had temporarily lost part of our share in the market for croquettes and other major categories of prepared frozen foods for commercial use. However, by building a product lineup and profit structure that allows us to compete even against low-priced products, we succeeded in recapturing that market share. Going forward, we intend to maintain this profit structure while responding rapidly to changes in customer needs. In addition, we will create new ingredient- and flavor- and texture-related added value in our strongest categories, including rice, potatoes, dairy, and eggs.

Overseas business: Flesh out local business in China

In order to develop frozen foods for commercial use in the local Chinese market, we will carefully identify products, markets, and business formats that will allow us to make the most of our strengths, then make concentrated investments of management resources. To date, our main activity in China has been production aimed at the Japanese market, so we will need to adjust our cost structure to fit the local market. Toward that end, we will work to reduce costs by improving productivity and introducing ingredients that meet local needs. We are now considering potential alliances with specific companies in order to build sales channels. Our goal is for these various efforts to result in net sales of ¥3.0 billion within China in the fiscal year through March 2013.

Responding to increases in ingredient and product purchase prices

One of the changes in our immediate business environment is that prices of ingredients such as chicken, beef, wheat, and edible oils have been rising due to increases in grain and crude oil prices, along with the effects from avian flu and the Tohoku-Kanto Earthquake in the previous fiscal term. We are working on responding to these cost increases by reviewing sales promotion expenses, revising our sale prices, and adjusting product specifications.

GFPT Nichirei (Thailand) Co., Ltd.'s chicken processing plant

Nichirei holds a large share of the market for commercial-use croquettes and hamburgers

Logistics

Nichirei Logistics Group Inc.
Toshiaki Murai, President

Nichirei's Higashi Ogishima Distribution Center offers one-stop solutions

By playing a vital role in social infrastructure, we will establish Nichirei as the overwhelming leader in food logistics.

Market and Industry Trends

- The volume of goods taken into refrigerated storage in Japan's 12 largest cities grew by 7.3% over the previous term, but the average overall utilization rate declined by 1.6 percentage points reflecting a trend among customers to reduce inventories.
- Overseas, depreciation of the euro had a negative effect on yen-denominated revenue.

Nichirei's Logistics Network Business is performing well

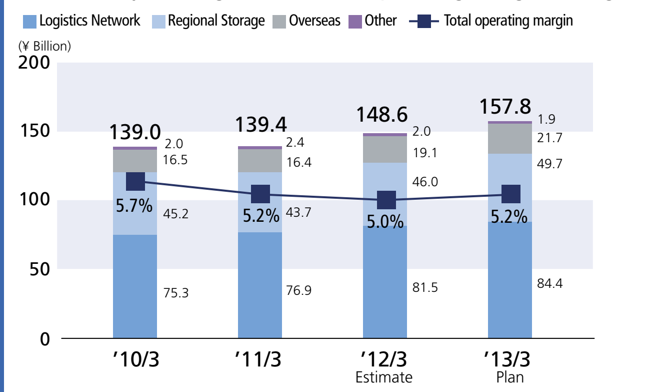
Performance Highlights from the Fiscal Year through March 2011

- In Japan, sales and profits from our Logistics Network business increased thanks to thorough cost reductions resulting from more effective use of transport vehicles, the startup of new distribution centers, and expansion into chilled and room-temperature storage. Regional Storage, however, was greatly affected by customers' inventory reductions and unusual weather, and profits declined.
- In Europe, we expanded our profit base by operating a new base in Poland and acquiring a French low-temperature logistics company. However, sales and profits decreased due to the euro's depreciation relative to the yen and to a decline in imports of chicken and other major products. In China, exceedingly hot weather and World Expo 2010 Shanghai supported strong sales by our delivery operations for convenience stores, which in turn caused sales and profits to grow. Overall, sales and profits from overseas in our Logistics business declined.

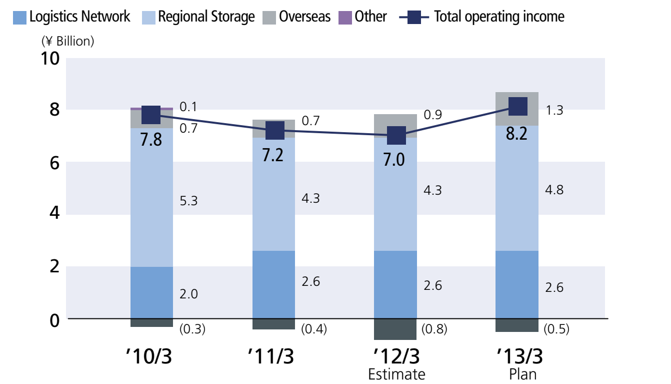
Nichirei is expanding its business base in Europe

Preparing to open our second distribution center in Shanghai

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



Operating Income by Sub-segment of Logistics



Major Policies for Year Two of the "Energy 2012" Plan

Logistics Network business: Improve price competitiveness and stabilize operations at new distribution centers

The Logistics Network business is one of Nichirei's growth drivers. We achieved excellent results at our transfer center in the Kanto region by introducing high-efficiency vehicle usage, and we intend to deploy that same expertise at our centers throughout the country. In addition, we will strengthen ties with corporate partners and develop new customers in order to boost the price competitiveness of our transport business. We aim to rapidly stabilize operation of transfer centers, both to new supermarket customers and to drugstore customers that require three-temperature-zone service combining frozen, chilled, and room-temperature products. We have developed shared deliveries to retail outlets as a powerful business model for serving the growing "Depachika" (shops in department store food halls) and "Ekinaka" (retail shops within train stations) markets in the Kanto region, and intend to deploy it in the Kansai region. Meanwhile, we have been making maximum use of Nichirei's unique logistics design and consulting functions while focusing on restructuring a major restaurant chain's distribution system and increasing shared distribution among existing customers.

Regional Storage business: Focus on tapping demand for transport

We aim to quickly stabilize operations at our new flagship distribution base, the Fukuoka Higashihama Distribution Center that we launched in Fukuoka City in August 2010, and at the Higashi Ogishima Distribution Center that we started up in February 2011 in Kawasaki City. The new centers have transport functions. At other operating bases, we aim to increase transport sales by expanding freights collection, in order to accelerate returns from the concentrated investments made under our previous medium-term plan. Toward that end, we intend to get a grasp of each customer's overall supply chain in order to tap their transport needs. By maximizing the added-value appeal of one-stop service that combines transport and delivery with distribution processing services, we intend to cultivate new customers and actively lure customers away from competitors.

Overseas business: Integrate new base in France; flesh out plans for second center in China

In Eastern Europe, in order to boost profitability in Poland, we will make use of our existing wide-area delivery network to gain transport customers and augment our vehicle procurement base. In Western Europe, we intend to move away from overdependence on specific customers and products, and to integrate our new French business base with existing bases and logistics network. In China, in addition to finding solutions for surging labor costs and difficulties in hiring suitable employees, we aim to quickly firm up the business vision and business plan for our second distribution center in Shanghai, which is scheduled to start operating soon.

Promoting efficient use of vehicles

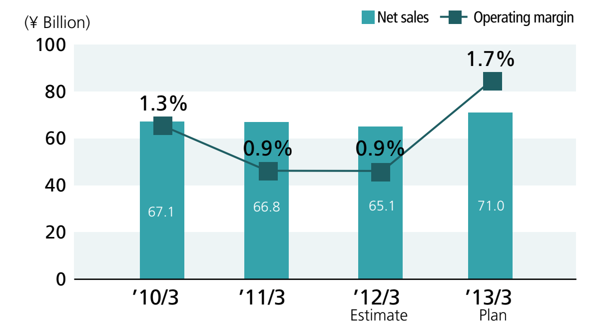
Focusing on further expanding transportation sales

Our Fukuoka Higashihama Distribution Center offers shipping and delivery services

Marine Products

Nichirei Fresh Inc.
Motoharu Hayama, President

Net Sales and Operating Margin of Marine Products



We will refine our product development and sales capabilities, and move on to the next growth phase.

Market and Industry Trends

We saw a recovery trend in marine product import volumes, but prices in producing regions continued to soar amid recovering demand in Europe and the U.S. and supply shortages resulting from abnormal global weather patterns. Meanwhile, Japanese consumption remained affected by a tendency toward choosing lower-priced food products.

Performance Highlights from the Fiscal Year through March 2011

The business in premium ingredients and other key products secured profits because of product development and procurement based on our sales plan. At the same time, net sales and operating income declined relative to the previous term because of the stagnant selling prices, in addition to our cautious approach toward some products due to price spikes in producing regions.

- While purchase prices for shrimp increased due to greater demand in the U.S. and higher prices in producing regions, sales of our mainstay Southeast Asian shrimp increased. Price competition over processed products continued to intensify, but sales and product profits increased over the previous term.
- Octopus prices rose due to reduced catches, but we secured profits thanks to planned procurement. We reduced the overall volume of northern frozen fish, and although we handled a greater volume of fish eggs, sale prices were lower than the previous term, so net sales and profits from marine products as a whole declined.

Major Policies for Year Two of the "Energy 2012" Plan

Focus on the development of "good value" products

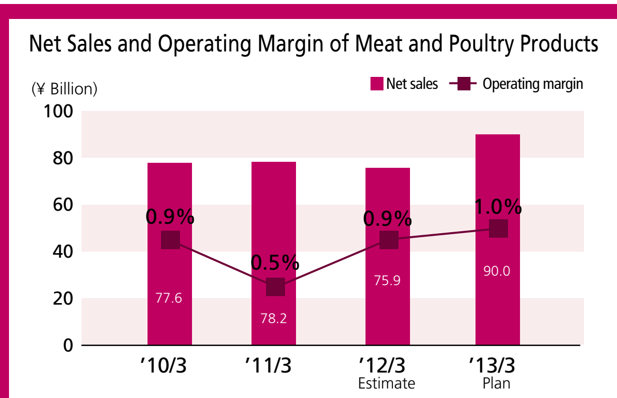
We will focus on the development of "good value" products that create added value by using Nichirei's original methods for processing ingredients that are not generally used in commercial products. In addition to developing uses primarily for low-priced varieties of fish, we will also implement our "good value" strategy using the premium ingredients that have been our traditional focus. For example, soft shell shrimp can be eaten without removing the shell. It provides the good taste and texture of live shrimp and sells very well because we pay diligent attention to the freshness of the raw shrimp and offer affordable prices.

Soft shell shrimp

Strengthen capacity for ready-to-eat dishes development and sales

Because we expect the market for ready-to-eat dishes based on marine products to grow, we will develop ingredients that fully reflect market needs and enhance our product lineup mainly in salads, fried foods, and grilled foods. We launched a human resources development project aimed at expanding the areas where we sell these products and bolstering sales to the shops that sell takeout meals, and delicatessens, and supermarkets. By cultivating professionals who are thoroughly versed both in the areas of marine products and ready-to-eat foods, we intend to increase our ability to sell marine product-based ready-to-eat dishes.

Meat and Poultry Products



We will thoroughly explore the value of high-quality, low-priced animal proteins.

Market and Industry Trends

Supplies were unstable both in Japan and abroad because of abnormal weather patterns and infectious livestock diseases such as foot-and-mouth disease and avian flu amid the price hike due to expanded demands for foods in emerging countries. In Japan, competition over sales continued to intensify.

Performance Highlights from the Fiscal Year through March 2011

Procurement prices for both domestic and imported beef and pork rose because of the outbreak of foot-and-mouth disease and abnormally hot weather. At the same time, consumers continued to prefer lower-priced products, so profits declined relative to the previous term although net sales were roughly unchanged.

- There was some recovery in the market for domestic chicken products, but excessive supplies caused prices to stagnate while volumes of imported products failed to grow. As a result, sales declined 2.8%.
- Consumers' preference for lower-priced beef products became further pronounced while sales of Japanese beef and other high-end beef continued to face a tough market. Because volumes of imported products for food processors declined further with lower prices, sales declined 5.4%.
- Lackluster sales of imported pork for processing led to a decline in sales. But domestic pork product volumes increased despite the effects of foot-and-mouth disease and abnormally hot weather, resulting in a 4.7% increase in sales.

Major Policies for Year Two of the "Energy 2012" Plan

Identify business categories where we should expand sales

In the first year of our medium-term business plan, we intended to strengthen our relationships with customers by adding a customer axis to our sales organization, which had been previously organized only by product category. However, because we need to respond more quickly to changes in the business environment, one of the major policies for the second year of our medium-term plan clearly defines four business categories where we need to expand sales: restaurants, ready-to-eat dishes (home-meal replacement market), consumers' cooperatives, and food processors. Our sales and product departments will work together to promote sales in these areas.

Develop and open markets for market demand-driven products

We launched a new concept we call "market demand-driven products," which follows "premium ingredients" and "optimal degree of processing." The idea is to provide not too little and not too much quality or service, but to strive to develop and open markets for products that meet market needs as closely as possible.

Iberian Pig: a good source of protein

Improve operational efficiency and minimize product loss

We will work primarily through the "operations group" that we formed in April to reduce logistics costs mainly in the Tokyo metropolitan area, to boost sales efficiency. By increasing coordination between production and sales divisions and between sales and purchasing divisions, we will work to minimize product losses and to improve our ability to negotiate prices. In addition, we will use more dynamic sales strategies, such as selling off products before their price falls.

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 — one who has worked at a financial institution and one experienced attorney — among the total of four auditors. In principle, the Board of Auditors meets once per month, and holds additional meetings as necessary. The Company has established a framework for strengthening management supervisory functions while effectively utilizing the capabilities of auditors through a framework for carrying out auditors' operating supervisory functions.

Independent Status of Outside Directors and Auditors; Participation in the Year Ended March 2011

Outside directors, outside auditors, their close relatives and any companies or organizations whose Board of Directors they may serve on have no vested interest in Nichirei. In the year ended March 2011, our three outside directors attended 96.4% 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 attended 95% of regularly scheduled board meetings, and offered opinions about issues such as asset policies, business plans, and compliance issues.

Committees

In order to ensure 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, Group Director Review Committee, and Group Social Contribution Committee. In addition, we established Management Committee, Review Committee, and Intellectual Property Management Committee to assist the president. The committees meet as follows:

Group Human Resources Committee	Convened by the chairperson twice yearly plus as needed	Group Director Review Committee	Convened by the committee chairperson as necessary
Group Risk Management Committee	Convened by the chairperson twice yearly plus as needed	Group Social Contribution Committee	Convened by the chairperson once yearly plus as needed
Group Environmental Protection Committee	Convened by the chairperson twice yearly plus as needed	Management Committee	Meets every Tuesday except for the third Tuesday of each month
Group Quality Assurance Committee	Convened by the chairperson twice yearly plus as needed	Review Committee	Convened by the committee chairperson as necessary
Group Internal Control Committee	Convened by the chairperson once yearly plus as needed	Intellectual Property Management Committee	Convened by the committee chairperson as necessary

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. The Committee identifies and analyzes group-wide risks, and in addition to voluntary responses by the Company and operating companies based on an established risk management cycle, discusses responses following reports on important matters to the Board of Directors of the holding company. Nichirei also works to minimize risk by operating 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 management 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 order to ensure that all employees comply with laws and Nichirei's internal regulations and behave in accordance with corporate ethics, we created and distribute a "Code of Conduct" and "Examples of Codes of Conduct Application." In addition, we conduct compliance training sessions for regular employees, in order to gain broader and deeper understanding of principles and systems of compliance management.

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, but we try to improve the system in response to changes in the management environment and other external factors.

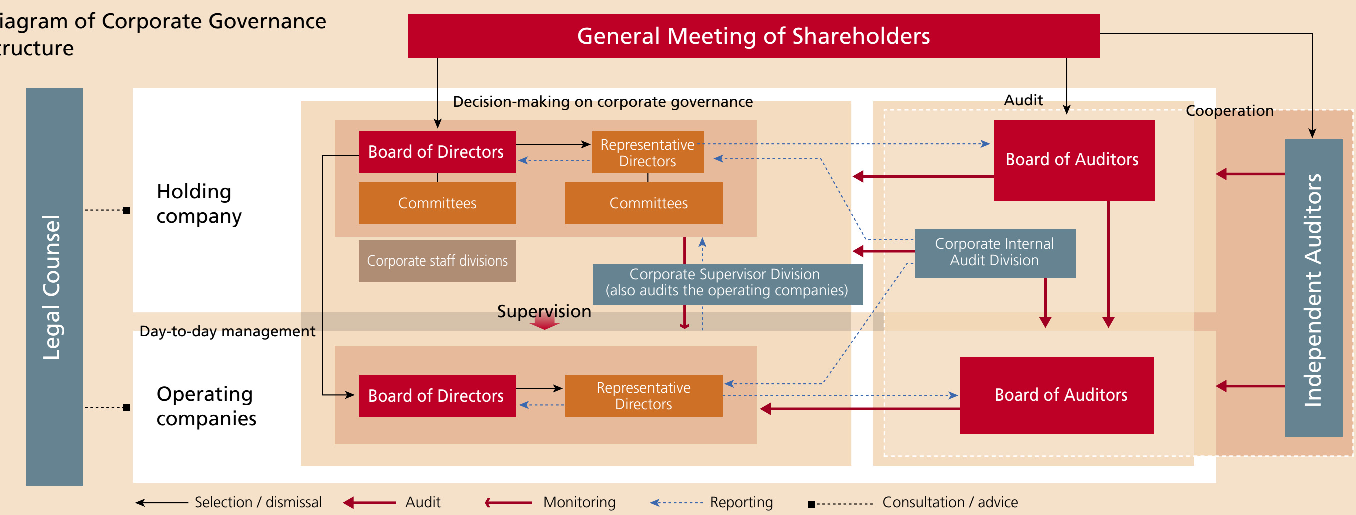
Director Compensation

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.

Officer	Number of officers	Total compensation	Remarks
Director	11	¥383 million	3 outside directors received ¥27 million
Auditor	5	¥74 million	2 outside auditors received ¥20 million

Notes: 1. "Total compensation" includes bonuses of ¥123 million paid to directors for the fiscal year ended March 2011.
2. The above figures include one director and one auditor who retired as of the conclusion of the general shareholders' meeting held on June 25, 2010.
3. "Total Compensation" includes the amount of executive compensation paid to the foregoing directors and auditors by consolidated subsidiaries at which they serve concurrently. No outside directors or outside auditors serve concurrently as executives at consolidated subsidiaries.

Diagram of Corporate Governance Structure



Directors, Auditors and Officers

Mitsudo Urano
Representative Director
and Chairman

Toshiaki Murai
Representative Director
and President

Directors

Representative Director and Chairman
Mitsudo Urano

Representative Director and President
Toshiaki Murai

Executive Officers
Yoshio Kawai

Takeshi Ara

Takashi Nakamura

Motoharu Hayama

Yasuhiro Ikeda

Outside Directors

Seigo Hanji
Chairperson and CEO, DAIDO METAL Co., Ltd.

Toshiki Sumitani
Principal, Kobe Institute of Computing Graduate School of Information Technology

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

Auditors

Corporate Auditors
Yutaro Mita

Hidetoshi Yamaguchi

Outside Auditors
Kunitaro Saida

Mitsuru Annen

Officers

Executive Officers
Yasuyoshi Mori

Kunio Otani

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 contributions to society. (For details, see "Nichirei CSR Report 2011.")

Guarding safety, reliability, and stability in food supplies

Assuring the safety and reliability of food supplies must be one of the top priorities of any company that handles food which affects consumers' health. Each operating company that belongs to the Nichirei Group engages in quality assurance activities in line with the Group's basic quality assurance policies and Quality Control Standards. The quality assurance committees of the Group as a whole and of each operating company assess products and services from the standpoint of quality management. Each unit shares the feedback it receives from customers in order to assist Nichirei's ongoing efforts to improve its quality assurance systems. We have created a quality control framework incorporating strict checking and traceback systems that address our entire supply chain, from materials procurement to manufacturing and logistics. Going forward, we will continue to strengthen our quality control systems even further, while working to share information not only within our corporate group, but also with suppliers and other business partners, and to provide quick and accurate information disclosure to customers.

The Nichirei Group is well aware of its responsibility for the stable supply of food resources. We make use of our expertise in production management, processing, refrigerated storage and transport to fulfill that responsibility as we cooperate and communicate with local citizens.

Through these efforts, the Nichirei Group is determined to keep on guarding safety, reliability, and stability in food supplies.

Quality assurance and Nichirei's Food Safety Center

The quality assurance activities of each operating company are checked by Nichirei's Food Safety Center, which conducts strict assessments of products, brands, and factory testing facilities. The Food Safety Center is further reinforcing its capacity to check for agricultural chemical residues and to test veterinary medicines. In addition, the Center itself received ISO/IEC17025 certification, attesting to the credibility of its laboratory results. The Center also participated in the Food Analysis Performance Assessment Scheme (FAPAS)® and Food Examination Performance Assessment Scheme (FEPAS)®*1 proficiency testing programs to ensure the accuracy of its testing.

*1 The world's largest food testing proficiency examinations, developed by the UK's Food and Environment Research Agency

Efforts to secure food stability

Because chickens grow more quickly and consume less feed than cattle or hogs, chicken meat promises to be a good source of high-quality animal protein for the rapidly growing population of a world in which grain supplies are tight. In the past, Nichirei procured most of its imported processed chicken products by having local manufacturers process them to our specifications. In the future, however, it is likely that supplies will be stressed as internal demand rises in emerging countries. Therefore, we saw a need to stabilize procurement by investing in plants and increasing our in-house production ratio. We established GFPT Nichirei (Thailand) Co., Ltd., which began operating in October 2010, in order to execute one of the key strategies in our Medium-Term Business Plan, i.e. establishing overwhelming dominance in the processed chicken products market. At the same time, the new plant is also aimed at stabilizing supplies of chicken meat as a food resource.

Feed factory, reservoir, and poultry farm aimed at supplying high-quality chicken meat

Corporate Social Responsibility

Environmental Preservation

As a corporate group concerned with food, the Nichirei Group is strongly affected by climate fluctuations. We believe that minimizing the effects of climate change will lead to more stable food supplies. We strive to reduce carbon dioxide generation throughout our supply chain by reducing energy use in our food processing plants and refrigerated warehouses, reducing usage of packaging materials, and boosting the efficiency of our logistics operations, including the introduction of shared deliveries. In the fiscal year ending March 2021, we aim to reduce CO_2 emissions resulting from energy use to 10% below the level of emissions in the year through March 2010. In the year through March 2011, we implemented various measures at our business bases, as described below.

Protecting the environment through our workplaces, distribution, and products

At Nichirei's food processing plants in the fiscal year ended March 2011, we introduced LED lighting and other energy-saving equipment, reused waste heat and used edible oil, made use of geothermal heating and solar energy, and planted greenery. In all, we reduced CO_2 emissions by more than 1,700 tons per year.

In our logistics operations, we used LED lighting and a natural refrigerant in our new distribution centers, which we expect will cut CO_2 emissions by almost 800 tons per year. We are also reducing CO_2 emissions from our logistics business by boosting efficiency through the consolidation of distribution bases and by shifting some cargo to ships. In the fiscal year ended March 2011, Logistics Planner won a "Encouraging Prize" as part of the "Logistics Grand Prize" for the shared distribution system it has been implementing in the Chugoku-Shikoku region with three frozen food manufacturers, Nichirei Foods, Ajinomoto Frozen Foods, and Nippon Suisan Kaisha.

We made our products more eco-friendly in the fiscal term through March 2011 by starting to use lighter cores in cardboard boxes. In the fiscal term ending March 2012, we plan to expand this initiative mostly to rice products, which we expect will reduce our CO_2 emissions by more than 100 tons. We are also working on making lighter wrapping films, which we anticipate will save 6.6 tons per year of petroleum-derived plastic materials. We expect to expand this effort to films for retort-pouch foods in the fiscal term ending March 2012, thereby saving an estimated total of 8.6 tons of plastic material.

In the future, we intend to continue working on reducing CO_2 emissions by these and other methods.

Social Contributions in Keeping with Nichirei Group's Character

The Nichirei Group contributes to society by using carefully selected ingredients to create healthy and delicious foods, and by providing safe and efficient logistics services. Out of our own goodwill, empathy, and sense of mission, we also engage in social contribution activities outside of our business activities. Nichirei is actively involved in social contribution activities primarily related to education about food or distribution, contributing to local communities, environmental protection, disaster relief, and support for sports.

Food Education

As an official sponsor of KidZania, an "edutainment town" that helps children learn firsthand about society and various professions, Nichirei organized an "Out of KidZania Agriculture Experience" and implemented a program that allowed children to participate in the entire process of creating food products, from planting and harvesting rice to creating a finished product. Through this program, the children learned how much work is involved in growing rice and how important food is. We believe that they also took an interest in farming as an occupation.

Children try their hand at rice planting

Financial Section

Operations

Business Environment

Japan's economy recovered during the fiscal year ended March 2011 thanks to improvement in overseas economies, especially in Asia, and the effects of various government policies. However, this recovery is not self-sustaining and the future economic outlook remains uncertain for several reasons, including rising resource prices, volatility in foreign exchange markets, the impact of deflation, and continued high unemployment. Moreover, the impact of the Tohoku-Kanto Earthquake on March 11 is also cause for concern.

In the food industry, our business field, although there were signs of demand picking up for household frozen foods as consumers dined more at home, this recovery lacked strength as they focused on lower prices. Additionally, the environment affecting the food logistics industry remained very challenging as shippers scaled back inventories and competition for storage and transport products intensified further.

Overview

To achieve sustained profit growth in this environment, we adapted quickly to rapid changes in the business environment and steadily executed our business strategy during the fiscal year ended March 2011, the first year of our Medium-Term Business Plan, "Energy 2012."

Operating Results

Net sales for the fiscal year ended March 2011 declined by 0.1% from the previous year to ¥437,808 million.

Operating income declined by 0.8% from the previous year to ¥16,681 million. The operating margin was 3.8%, generally on par with the previous year.

Among key cost items, cost of sales was generally unchanged from the previous year at ¥350,442 million, or 80.0% of net sales, up 0.1 percentage points. Selling, general and administrative expenses declined by 0.6% to ¥70,684 million. Within this category, sales promotion costs, sales commissions, executive compensation and employee salaries, bonuses, and allowances, mandatory employee benefits, and travel, transportation, and communication costs increased, while transport and storage costs, marketing and advertising costs, retirement benefit costs, rent, outsourcing costs, and R&D costs decreased.

■ Performance by Segment

Processed Foods

	2010.3	2011.3	Change (%)
Net sales	¥162,073	¥161,888	-0.1
Operating income	2,561	4,609	79.9
Operating margin	1.6%	2.8%	

(¥ Million)

The business environment affecting the Processed Foods business showed signs of improvement during the year ended March 2011, due partly to renewed interest in the convenience of frozen foods and more consumers dining at home, but consumers maintained a strong preference for lower prices. Raw material costs gradually increased starting in the second half of the fiscal year.

In this environment, net sales of Processed Foods declined by 0.1% from the previous year to ¥161,888 million. Net sales of prepared frozen foods for household use were strong compared with the previous year, but sales of prepared frozen foods for commercial use fell slightly due to a reduction in the number of product items in an effort to improve profitability and to the impact of selling the acerola beverage business during the previous fiscal year. However, operating income rose by a sharp 79.9% to ¥4,609 million. Operating income improved significantly thanks to relatively stable raw materials procurement costs and overseas product purchasing costs through the third quarter and to successful efforts to improve productivity.

Productivity improved, due partly to higher yields at our own plants, but raw materials procurement costs rose gradually from the second half. A new plant at GFPT Nichirei (Thailand) Company Limited, which we established as a joint venture in Thailand, commenced operation in October 2010.

(a) Prepared frozen foods for household use

We believe the overall market is recovering, as evidenced by the amount spent on prepared frozen foods for household use rising by 0.8% from the previous year, according to a national panel survey of consumer households. Net sales of prepared frozen foods for household use increased by 3.5% on strong sales of "Honkaku-itame Cha-han," "Yaki-onigiri" and "Hon-wafu Wakadori Kara-age." However, product profits decreased.

(b) Prepared frozen foods for commercial use

We recorded strong sales for hamburger steak and other processed meat products and for spring rolls and other Chinese-style ready-to-eat as a result of releasing products in a broad range of price segments. However, sales of rice products were weak. Sales of mainstay processed chicken products recovered on a contribution from the release of new products, including fried chicken products, from the second half. Net sales of prepared frozen foods for commercial use declined by 0.4% from the previous year due to a reduction in the number of product items to improve profitability. However, profits increased as a result of relatively stable product and raw material costs through the third quarter and profitability improvement from fewer product items.

(c) Frozen agricultural products

Edamame (boiled green soybeans), broccoli, Japanese-style mixed vegetables, and other products for household use sold well as a result of renewed interest in the convenience of frozen foods prompted by shortages and higher prices for fresh vegetables due to abnormal weather conditions. Products for commercial use had volume growth, mainly for green vegetables, including the "Sono Mama Tsukaeru series" of naturally defrosting products. As a result, net sales of frozen agricultural products grew by 4.4% from the previous year and product profits also increased.

(d) Wellness foods

Business with major mail-order operators increased, but delays in the release of new products caused net sales of wellness foods to decline by 33.4% from the previous year. Product profits improved on cost reforms, including marketing and advertising costs.

(e) Acerola

Net sales of acerola declined by 41.3% from the previous year as a result of selling the beverage business to specialize in the ingredient business. However, product profits increased on growth in domestic ingredient sales as well as overseas sales, primarily to Europe.

During the fiscal year ending March 2012, we intend to establish a dominant position within the processed chicken products industry by using existing production facilities and new production facilities in Thailand to provide stable supply in terms of both quality and quantity. For rice products, processed meat products, spring rolls, and croquettes, we seek to leverage our ability to procure high-quality ingredients to release appealing products and establish a top position in each category. For frozen agricultural products, we will concentrate business resources on products in which we have an advantage and work to develop products using new technologies. In the health value segment, mainly wellness foods, we will work to improve profitability by narrowing our targets and focusing on supporting the health of senior citizens. For acerola ingredients, we seek to increase sales, especially in Europe, and to expand our global market share. Through these activities, we forecast net sales in the Proceeds Foods business to grow by 1.3% to ¥164,000 million. We forecast operating income to decline by 21.9% to ¥3,600 million as a result of expecting pressure from higher raw material and product purchasing costs.

Marine Products

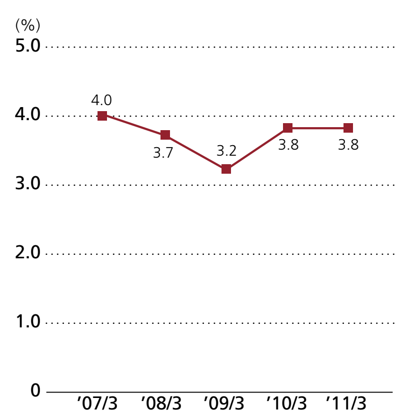
	2010.3	2011.3	Change (%)
Net sales	¥67,192	¥66,824	-0.5
Operating income	893	592	-33.7
Operating margin	1.3%	0.9%	

(¥ Million)

In the marine products market during the fiscal year ended March 2011, although marine product import volume recovered, local prices continued to rise as a result of supply shortages caused by a recovery in demand in Europe and the U.S. and abnormal weather conditions throughout the world. In Japan, consumers continued to show a preference for lower-priced products. Marine product imports grew by 4.9% by volume and 5.7% by value in 2010, with shrimp import volume up 3.8%.

In this environment, our Marine Products business secured profits through planned product development and procurement for priority products, including differentiated products made from premium ingredients. However, reflecting prudent handling volume for some products due to high local prices and weak selling prices, net sales in the Marine Products business declined by 0.5% from the previous year to ¥66,824 million and operating income fell by 33.7% to ¥592 million.

Operating Margin 2007-2011



(a) Shrimp

Amid a rise in purchase prices on strong demand in the U.S. and higher local prices, sales of mainstay Southeast Asian shrimp increased. Despite continued stiff price competition for processed shrimp, net sales of shrimp grew by 3.5% from the previous year and product profits surpassed year-ago levels.

(b) Other seafood

Amid a rise in prices on a decline in catches, we secured profits for octopus through planned purchasing. We narrowed our overall handling volume for northern frozen fish, and fish egg selling prices decreased from the previous year. As a result, net sales of other seafood declined by 3.9% and product profits also decreased.

During the fiscal year ending March 2012, we intend to selectively focus on specific products from the standpoints of profitability and turnover, will continue to develop and supply appealing products to the home meal replacement and restaurant markets, and strive to expand sales overseas. We expect marine product demand in the restaurant market to decrease as a result of the Tohoku-Kanto Earthquake, and forecast net sales in the Marine Products business to decline by 2.6% from the previous year to ¥65,100 million. We forecast operating income to rise by 1.3% to ¥600 million as a result of making cautious purchases according to demand, minimizing inventories, and pursuing optimal processing.

Meat and Poultry Products

	2010.3	2011.3	Change (%)
Net sales	¥77,643	¥78,289	0.8
Operating income	676	388	-42.5
Operating margin	0.9%	0.5%	

(¥ Million)

In the meat and poultry market during the fiscal year ended March 2011, amid a rise in prices caused in part by growing food demand in emerging countries, the impact of abnormal weather conditions and outbreaks of infectious livestock diseases, including foot-and-mouth disease and avian influenza, resulted in unstable supply both in Japan and overseas. In this environment, sales competition in Japan continued to intensify.

In our Meat and Poultry Products business, beef and pork were affected by a rise in procurement prices for both domestic and imported products due to the impact of a foot-and-mouth disease outbreak and hot summer weather. Our business also continued to be affected by the consumer preference for lower prices. As a result, although net sales of Meat and Poultry Products grew by 0.8% from the previous year to ¥78,289 million, operating income declined by 42.5%.

(a) Chicken

The domestic chicken market showed a recovery, but because selling prices slumped due to oversupply and the volume of imported chicken did not rise, net sales of chicken declined by 2.8% from the previous year. However, demand for "Jun Wakei" (pure Japanese chicken) as a premium ingredient which we raise by ourselves steadily expanded.

(b) Beef

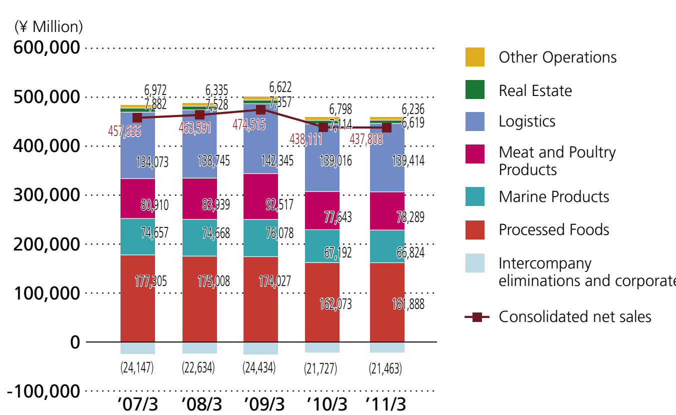
Sales of Japanese beef and other high-end products continued to slump as a result of consumers showing a greater preference for lower prices. The volume of imported beef supplied to food processors also decreased further. As a result, net sales of beef declined by 5.4% from the previous year.

(c) Pork

Imported pork sales decreased on weak sales to food processors, but domestic pork handling volume rose above year-ago levels despite the impact of a foot-and-mouth disease outbreak and hot summer weather. As a result, net sales of pork grew by 4.7% from the previous year.

During the fiscal year ending March 2012, we will work to stabilize the "Jun Wakei" business as a recycling-oriented ingredients business and focus on expanding sales of processed products. However, we anticipate chicken supply shortages from suppliers in the Tohoku region due to the Tohoku-Kanto Earthquake, and forecast net sales in the Meat and Poultry Products business to

Net Sales by Segment 2007-2011



decline by 3.1% from the previous year to ¥75,900 million. We forecast operating income to grow by 80.0% to ¥700 million due to expecting a reaction to the impact of the foot-and-mouth disease outbreak and hot summer weather in the previous year.

Logistics

	2010.3	2011.3	Change (%)
Net sales	¥139,016	¥139,414	0.3
Operating income	7,883	7,296	-7.4
Operating margin	5.7%	5.2%	

(¥ Million)

Refrigerated warehouse intake volume in Japan's 12 major cities grew by 7.3% from the previous year to 11,363,000 tons between April 2010 and March 2011. However, the average overall utilization rate declined by 1.6 percentage points to 31.7%.

In this environment, intake volume in our Logistics business grew by 3.9% from the previous year to 2,711,000 tons and the average overall utilization rate declined by 3.2 percentage points to 34.7%. In domestic business, we worked to rigorously reduce costs through efficient vehicle use in our Logistics Network business. Additionally, the opening of a new distribution center and expansion of the size and scope of our business, including by moving into chilled and room-temperature logistics, contributed to higher sales. In contrast, the Regional Storage business was seriously affected by inventory reductions at shippers and by abnormal weather conditions, and profits decreased. In Overseas business, despite a boost from building a new base in Poland and an expansion of the revenue base from acquiring a low-temperature logistics company in France, sales and profits were generally on par with last year, due partly to the impact of a weaker euro. As a result, net sales in the Logistics business grew by 0.3% from the previous year to ¥139,414 million and operating income fell by 7.4% to ¥7,296 million.

(a) Logistics Network business

Our handling volume for main customers increased and we made progress in efficient operations at a dedicated supermarket distribution center in Kansai that opened during the second half of the previous fiscal year. We were also contracted to manage new chilled and room-temperature distribution centers in Kanto and Kyushu and made progress in efficiently using transport vehicles, including by reducing the number of vehicles and enhancing load efficiency through centralized management for each regional block. As a result, net sales in the Logistics Network business grew by 2.1% from the previous year to ¥76,882 million and operating income rose by 30.0% to ¥2,615 million.

(b) Regional Storage business

Inventory levels decreased nationwide on a decline in handling volumes for main items caused by inventory reductions at shippers and abnormal weather conditions, and unit prices fell sharply as a result of stiffer consolidation competition. Despite rigorous low-cost management, depreciation increased for four new distribution centers that opened since the previous fiscal year. As a result, net sales in the Regional Storage business declined by 3.2% from the previous year to ¥43,709 million and operating income fell by 19.5% to ¥4,256 million.

(c) Overseas business

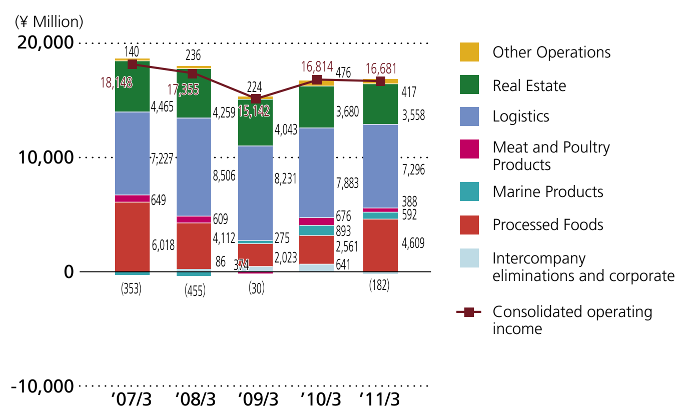
In Europe, we gained new bases and customers by acquiring a low-temperature logistics company in France. A new base in Poland and continued high inventories of imported fruit juices in Holland also contributed to sales increase. However, both sales and profits decreased due to a weakening in the euro and the impact of lower imports of major products, including chicken.

In China, both sales and profits increased on a strong performance for convenience store delivery operations due to the Expo 2010 Shanghai and hot summer weather.

As a result, net sales in Overseas business declined by 0.6% from the previous year to ¥16,438 million and operating income fell by 3.3% to ¥698 million.

During the fiscal year ending March 2012, in the Logistics Network business, we seek to leverage price competitiveness from the efficient use of transport vehicles to expand transportation business and to expand procurement logistics in transfer centers and chilled and room-temperature logistics. For third-party logistics, we are focusing on taking full advantage of our strong

Operating Income or Loss by Segment 2007-2011



logistics proposal and consulting capabilities to acquire new customers. In the Regional Storage business, we will work to acquire new customers and collect new products. We will also focus on quickly achieving stable operations at the Higashi Ogishima Distribution Center and to increase collection with a view toward the second phase of expansion at this distribution center. In Overseas business, we seek to bolster our earnings base in Europe by cultivating new customers and using our new bases in France. In China, we are looking to expand our business base through a second distribution center in Shanghai scheduled to open during the first half of the fiscal year. As a result of these initiatives, even allowing for the impact of refrigerated warehouses damaged by the Tohoku-Kanto Earthquake, we forecast net sales in the Logistics business to grow by 6.6% from the previous year to ¥148,600 million. We expect operating income to decline by 4.1% to ¥7,000 million as a result of higher depreciation.

Real Estate

	2010.3	2011.3	Change (%)
Net sales	¥7,114	¥6,619	-7.0
Operating income	3,680	3,558	-3.3
Operating margin	51.7%	53.8%	

(¥ Million)

During the fiscal year ended March 2011, our Real Estate business worked to maintain occupancy rates through the renovation of rental office buildings and environmental and energy-saving projects to address market needs. However, revenues decreased as a result of tenant departures and some lease contract renewals. As a result, net sales in the Real Estate business declined by 7.0% from the previous year to ¥6,619 million and operating income fell by 3.3% to ¥3,558 million.

During the fiscal year ending March 2012, we will work to renovate rental buildings, bolster building management and other services, and improve tenant vacancy rates. We also seek to underpin earnings by effectively using real estate owned by the Group and by providing management and maintenance support. However, we expect a decrease in rent income from lease contract renewals, and forecast net sales in the Real Estate business to decline by 23.0% from the previous year to ¥5,100 million, operating income to fall by 41.0% to ¥2,100 million.

Other Businesses

	2010.3	2011.3	Change (%)
Net sales	¥6,798	¥6,236	-8.3
Operating income	476	417	-12.4
Operating margin	7.0%	6.7%	

(¥ Million)

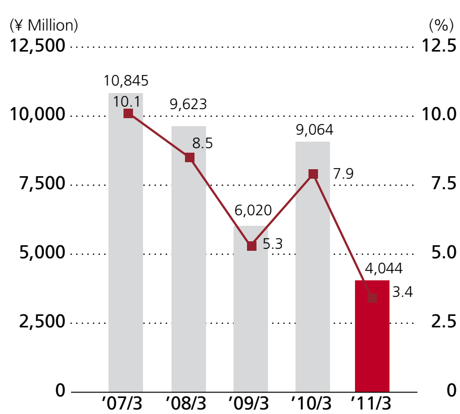
During the fiscal year ended March 2011, in the biosciences business, although histological stains were strong, sales and profits decreased as a result of influenza spread levels returning to normal. As a result, net sales in Other Businesses declined by 8.3% from the previous year to ¥6,236 million and operating income fell by 12.4% to ¥417 million.

During the fiscal year ending March 2012, we seek to bolster our earnings base for cell-culture media and histological stains and will work to establish earnings power in the cosmetics sales business. We forecast net sales in Other Businesses to grow by 1.0% from the previous year to ¥6,300 million.

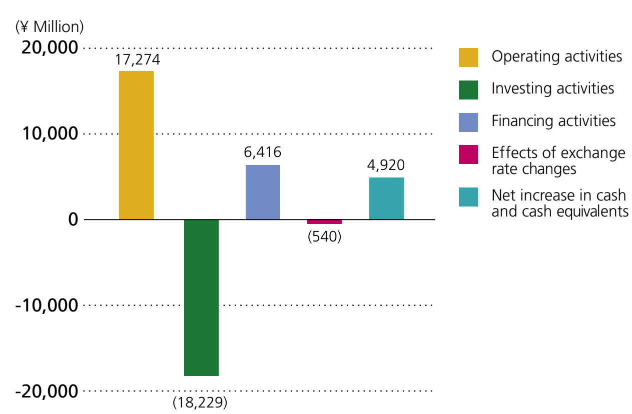
Other Income and Expenses

Net other expenses totaled ¥7,821 million in the fiscal year ended March 2011, an increase from ¥2,433 million in the previous fiscal year. Main factors included compensation income of ¥3,008

Net Income and ROE 2007-2011



Cash Flows 2011



million for road and water supply and sewerage infrastructure burial in Tokyo, loss on revision of retirement benefit plan of ¥6,610 million, and losses from the Tohoku-Kanto Earthquake of ¥3,196 million.

Losses from the Tohoku-Kanto Earthquake comprise ¥2,007 million from damage to fixed assets, ¥523 million from damage to inventories, and ¥655 million for other reasons. A segment breakdown is provided in the table below.

(¥Million, rounded down to nearest ¥100 million)

Segment	Inventory damage	Fixed asset damage	Other damage	Total	Group companies that incurred damage
Processed Foods	300	100	200	600	Nichirei Foods Inc., Chiba Chikusan Kogyo Inc.
Marine Products	200	500	0	700	Maruichikakou Corporation
Meat and Poultry Products	0	–	0	0	Nichirei Fresh Farm Inc.
Logistics	–	1,500	400	1,900	Logistics Network Inc. Nichirei Logistics Tohoku Inc. Nichirei Logistics Kanto Inc. Kyokurei Corporation
Real Estate	–	0	–	0	
Total	500	2,100	600	3,200	

Income before Income Taxes and Net Income

As a result of the above, income before income taxes and minority interests declined by 38.4% from the previous year to ¥8,860 million in the fiscal year ended March 2011. Net income fell by 55.4% to 4,044 million.

Net income per share was ¥13.08, down from ¥29.24 in the previous year.

The fiscal year ending March 2012 is the second year of our Medium-Term Business Plan, "Energy 2012," launched in April 2010. This plan assumes that the business environment will remain challenging, and its basic concept is to contribute to sustained profit growth through steady execution of business strategies and swift response to the business environment. We forecast net sales in the fiscal year ending March 2012 to grow by 1.0% from the previous year to ¥442,200 million, on higher sales in the Processed Foods and Logistics businesses. We forecast operating income to decline by 16.1% to ¥14,000 million, despite expecting profit growth in the Marine Products, and Meat and Poultry businesses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

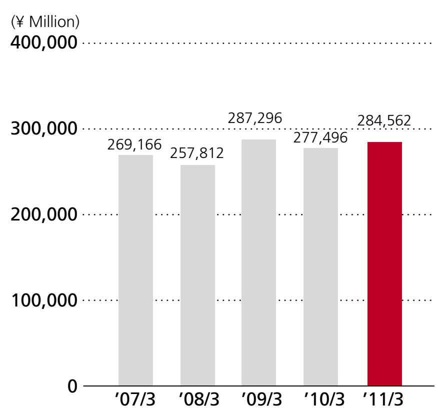
Net cash provided by operating activities in the fiscal year ended March 2011 decreased by ¥16,071 million from the previous year to ¥17,274 million. Main items included income before income taxes and minority interests of ¥8,860 million, depreciation and amortization of ¥14,099 million, rental building deposit refunds of ¥3,300 million, and payments for retirement benefit plan revisions.

Net cash used in investing activities increased by ¥4,673 million from the previous year to ¥18,229 million. Main items included purchase of property, plant and equipment for ¥17,668 million and investments in shares of subsidiaries for ¥2,732 million.

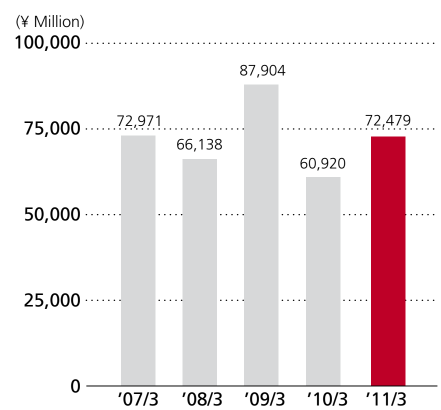
Net cash provided by financing activities increased by ¥39,740 million from the previous year to ¥6,416 million. The main item was a decrease in repayments of interest-bearing debt in the fiscal year ended March 2011 after repayments made in the previous fiscal year.

Free cash flow decreased by ¥20,744 million from the previous year to negative ¥955 million.

Total Assets 2007-2011



Interest-Bearing Debt* 2007-2011



* Excludes leased obligations

As a result of these activities, the balance of cash and cash equivalents at the end of March 2011 increased by ¥4,556 million from the previous year to ¥10,795 million.

The Balance Sheet

Total assets at the end of March 2011 increased by ¥7,066 million to ¥284,562 million, due mainly to an increase in cash and deposits.

Current assets increased by ¥8,347 million to ¥103,180 million due to an increase in cash and deposits.

Property, plant and equipment increased by ¥2,660 million to ¥143,466 million, due partly to capital expenditures and the acquisition of a low-temperature logistics company. Total investments and other assets decreased by ¥3,942 million to ¥37,914 million due to retirement benefit plan revisions.

Total liabilities increased by ¥12,011 million to ¥166,813 million, due mainly to an increase in short-term bank loans.

Current liabilities increased by ¥20,778 million to ¥110,328 million, due partly to an increase in short-term bank loans and the current portion of long-term debt. Long-term liabilities decreased by ¥8,766 million to ¥56,485 million.

Interest-bearing debt increased by ¥11,559 million to ¥72,479 million, excluding leased obligations. The ratio of interest-bearing debt to cash flow deteriorated by 0.6 years from the previous year to 4.2 years at the end of March 2011.

Net assets totaled ¥117,748 million, down ¥4,946 million from the previous year. Shareholders' equity* totaled ¥115,058 million, or 40.4% of total assets, down 2.7 percentage points from the previous year. The debt-to-equity ratio was 0.82 at the end of March 2011, deteriorating by 0.08 point from 0.74 at the end of March 2010. Excluding lease obligations, the debt-to-equity ratio was 0.61 at the end of March 2011, deteriorating by 0.09 point from 0.52 at the end of March 2010.

*Shareholders' equity=net assets – minority interests

Significant Risk Factors Impacting Operating Results

Significant risk factors we can determine as of the end of March 2011 that could affect investors' investment decisions, of which some involve possible future developments, include the following:

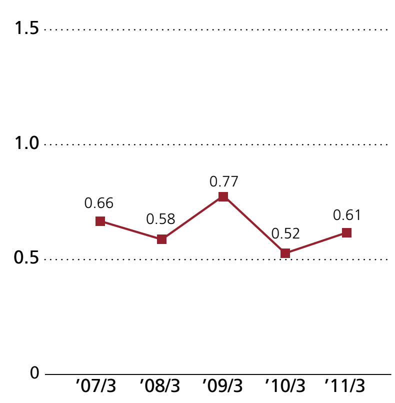
(a) Food safety issues

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

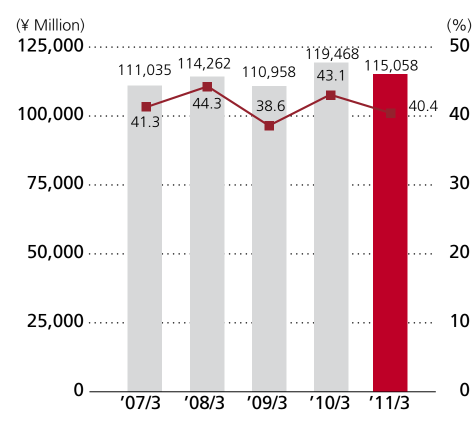
In the Marine Products business, we import our main products (e.g. shrimp, crab and octopus) from around the world. Prices of these products are affected by worldwide demand, harvest sizes, and other factors, while at the same time domestic market prices for marine products are affected by the amount of fish caught off the coasts of Japan and domestic demand, etc. In the Meat and

Debt-to-Equity* 2007-2011



* Calculated using interest-bearing debt excluding leased obligations

Shareholders' Equity and Equity Ratio* 2007-2011



* Shareholders' equity = net assets - minority interests

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

(c) Product recalls

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

(d) Risks involving long-term assets

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

(e) Securities price risk

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

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

(f) Exchange-rate risks

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

(g) Changes in laws and regulations

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

(h) Information system security

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

Consolidated Balance Sheets (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries

As of March 31, 2010 and 2011

Assets	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and deposits *(Note 3)*	¥ 6,272	¥ 10,795	$ 129,834
Notes and accounts receivable – trade	55,896	56,566	680,300
Less allowance for doubtful accounts	(107)	(168)	(2,029)
Inventories *(Note 4)*	27,501	29,780	358,159
Deferred tax assets *(Note 12)*	1,367	1,605	19,307
Other current assets	3,902	4,600	55,327
Total current assets	94,833	103,180	1,240,899
Property, plant and equipment *(Notes 6 and 7)*:			
Land	32,951	29,448	354,157
Buildings and structures	199,056	206,389	2,482,137
Machinery and equipment	73,075	78,117	939,480
Leased assets	47,101	44,845	539,337
Construction in progress	4,283	702	8,450
	356,468	359,504	4,323,564
Less accumulated depreciation	(215,661)	(216,037)	(2,598,165)
Property, plant and equipment, net	140,806	143,466	1,725,399
Investments and other assets:			
Investment securities *(Note 5)*	18,600	19,005	228,572
Investment in affiliates	2,764	2,839	34,147
Deferred tax assets *(Note 12)*	1,814	1,937	23,295
Other *(Note 6)*	19,223	14,791	177,888
Less allowance for doubtful accounts	(546)	(658)	(7,922)
Total investments and other assets	41,856	37,914	455,980
Total assets	¥ 277,496	¥ 284,562	$ 3,422,279

The accompanying notes are integral parts of these statements.

Liabilities and net assets	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term bank loans	¥ 17,373	¥ **29,549**	$ **355,376**
Commercial paper	13,000	**13,000**	**156,343**
Current portion of long-term debt	877	**8,050**	**96,823**
Accounts payables	23,861	**24,466**	**294,246**
Leased obligations	3,818	**3,757**	**45,187**
Income taxes payable	2,852	**2,201**	**26,478**
Accrued expenses	18,078	**18,093**	**217,605**
Accrued directors' bonuses	210	**240**	**2,887**
Provision for loss on disaster	-	**1,975**	**23,758**
Other current liabilities	9,478	**8,992**	**108,148**
Total current liabilities	89,550	**110,328**	**1,326,856**
Long-term liabilities:			
Long-term debt	29,669	**21,879**	**263,130**
Accrued directors', statutory auditors' and employees' retirement benefits *(Note 15)*	3,832	**4,152**	**49,945**
Leased obligations	21,053	**20,740**	**249,439**
Deferred tax liabilities *(Note 12)*	1,713	**1,607**	**19,331**
Asset retirement obligations *(Note 8)*	-	**2,398**	**28,851**
Negative goodwill	36	**14**	**176**
Other	8,945	**5,691**	**68,448**
Total long-term liabilities	65,251	**56,485**	**679,322**
Total liabilities	154,802	**166,813**	**2,006,179**
Net assets			
Shareholders' equity *(Notes 9 and 10)*:			
Common stock, with no par value			
Authorized – 720,000,000 shares			
Issued and outstanding – 310,851,065 shares	30,307	**30,307**	**364,496**
Capital surplus	23,709	**23,709**	**285,142**
Retained earnings	62,318	**63,254**	**760,730**
Less treasury stock, at cost	(393)	**(2,224)**	**(26,752)**
Total shareholders' equity	115,943	**115,047**	**1,383,616**
Accumulated other comprehensive income *(Note 2(w))*:			
Net unrealized holding gain on available-for-sale securities	3,723	**2,255**	**27,130**
Net deferred gain on hedges	18	**8**	**100**
Foreign currency translation adjustments	(217)	**(2,253)**	**(27,106)**
Total accumulated other comprehensive income	3,524	**10**	**125**
Minority interests in consolidated subsidiaries	3,225	**2,690**	**32,358**
Total net assets	122,694	**117,748**	**1,416,100**
Total liabilities and net assets	¥ 277,496	¥ **284,562**	**$3,422,279**

The accompanying notes are integral parts of these statements.

Consolidated Statements of Income (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net sales	¥ 438,111	¥ 437,808	$ 5,265,288
Operating costs and expenses:			
Cost of sales	350,153	350,442	4,214,587
Selling, general and administrative expenses *(Note 14)*	71,143	70,684	850,081
	421,297	421,127	5,064,669
Operating income	16,814	16,681	200,619
Other income/(expenses):			
Interest and dividend income	528	488	5,869
Interest expense	(1,703)	(1,371)	(16,491)
Other – net *(Note 11)*	(1,258)	(6,937)	(83,439)
	(2,433)	(7,821)	(94,061)
Income before income taxes and minority interests	14,380	8,860	106,557
Income taxes *(Note 12)*:			
Current	5,154	4,285	51,540
Deferred	(13)	486	5,845
	5,141	4,771	57,385
Income before minority interests *(Note 2 (w))*	–	4,088	49,172
Minority interests	174	44	534
Net income	¥ 9,064	¥ 4,044	$ 48,637

Amounts per share *(Note 16)*:	Yen		U.S. dollars (Note 1)
	2010	2011	2011
Net assets	¥ 385.47	¥ 377.08	$ 4.534
Net income:			
Basic	¥ 29.24	¥ 13.08	$ 0.157
Diluted	–	–	–

The accompanying notes are integral parts of these statements.

Consolidated Statements of Comprehensive Income (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Income before minority interests	¥ –	¥ 4,088	$ 49,172
Other comprehensive income/(loss)			
Net unrealized holding loss on available-for-sale securities	–	(1,467)	(17,652)
Net deferred loss on hedges	–	(19)	(235)
Foreign currency translation adjustment	–	(2,119)	(25,490)
Equity in earnings of affiliates accounted for by the equity method	–	(17)	(212)
Total other comprehensive income/(loss)	–	(3,624)	(43,590)
Total comprehensive income *(Note 2(w))*	¥ –	¥ 464	$ 5,582
Comprehensive income attributable to:			
Owners of the parent	–	529	6,369
Minority interests	–	(65)	(787)

The accompanying notes are integral parts of these statements.

Consolidated Statements of Changes in Net Assets (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 30,307	¥ 30,307	$ 364,496
Changes of items during the period	–	–	–
Balance at end of the year	30,307	30,307	364,496
Capital surplus			
Balance at beginning of year	23,711	23,709	285,146
Changes of items during the period			
Disposal of treasury stock	(1)	(0)	(4)
Balance at end of the year	23,709	23,709	285,142
Retained earnings			
Balance at beginning of year	56,045	62,318	749,476
Changes of items during the period			
Dividends from surplus	(2,790)	(2,789)	(33,546)
Net income	9,064	4,044	48,637
Change of application of equity method	–	(319)	(3,837)
Total changes of items during the period	6,273	935	11,253
Balance at end of the year	62,318	63,254	760,730
Treasury stock			
Balance at beginning of year	(348)	(393)	(4,732)
Changes of items during the period			
Acquisition of treasury stock	(50)	(1,835)	(22,074)
Disposal of treasury stock	5	4	54
Total changes of items during the period	(45)	(1,830)	(22,019)
Balance at end of the year	(393)	(2,224)	(26,752)
Total shareholders' equity			
Balance at beginning of year	109,715	115,943	1,394,386
Changes of items during the period			
Dividends from surplus	(2,790)	(2,789)	(33,546)
Net income	9,064	4,044	48,637
Change of application of equity method	–	(319)	(3,837)
Acquisition of treasury stock	(50)	(1,835)	(22,074)
Disposal of treasury stock	4	4	50
Total changes of items during the period	6,227	(895)	(10,770)
Balance at end of the year	¥ 115,943	¥ 115,047	$1,383,616

The accompanying notes are integral parts of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Accumulated other comprehensive income *(Note 2(w))*			
Net unrealized gain/(loss) on available-for-sale securities			
Balance at beginning of year	¥ 2,241	¥ 3,723	$ 44,780
Changes of items during the period			
Net changes of items other than shareholders' equity	1,481	(1,467)	(17,649)
Balance at end of the year	3,723	2,255	27,130
Net deferred gain/(loss) on hedges			
Balance at beginning of year	51	18	227
Changes of items during the period			
Net changes of items other than shareholders' equity	(32)	(10)	(126)
Balance at end of the year	18	8	100
Foreign currency translation adjustments			
Balance at beginning of year	(1,050)	(217)	(2,614)
Changes of items during the period			
Net changes of items other than shareholders' equity	833	(2,036)	(24,491)
Balance at end of the year	(217)	(2,253)	(27,106)
Total accumulated other comprehensive income			
Balance at beginning of year	1,242	3,524	42,393
Changes of items during the period			
Net changes of items other than shareholders' equity	2,282	(3,514)	(42,267)
Balance at end of the year	3,524	10	125
Minority interests			
Balance at beginning of year	2,241	3,225	38,795
Changes of items during the period			
Net changes of items other than shareholders' equity	984	(535)	(6,436)
Balance at end of the year	3,225	2,690	32,358
Total net assets			
Balance at beginning of year	113,199	122,694	1,475,575
Changes of items during the period			
Dividends from surplus	(2,790)	(2,789)	(33,546)
Net income	9,064	4,044	48,637
Change of application of equity method	–	(319)	(3,837)
Acquisition of treasury stock	(50)	(1,835)	(22,074)
Disposal of treasury stock	4	4	50
Net changes of items other than shareholders' equity	3,267	(4,049)	(48,704)
Total changes of items during the period	9,494	(4,945)	(59,475)
Balance at end of the year	¥ 122,694	¥ 117,748	$1,416,100

The accompanying notes are integral parts of these statements.

Consolidated Statements of Cash Flows (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries

For the years ended March 31, 2010 and 2011

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2010	2011	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 14,380	¥ 8,860	$ 106,557
Depreciation and amortization	13,506	14,099	169,566
Impairment loss on fixed assets	765	447	5,381
Increase in allowance for doubtful accounts	5	190	2,287
Increase in accrued employees' retirement benefits	298	272	3,279
Establishment of employees' retirement benefit trust	–	(3,851)	(46,323)
Decrease/(increase) in prepaid pension cost	(449)	5,542	66,653
Equity in earnings of affiliates	0	(164)	(1,973)
Loss on disposal of property, plant and equipment	381	269	3,238
Loss on discontinued operation	471	209	2,513
Loss on valuation of investment securities	53	38	466
Loss on disaster	–	3,196	38,436
Compensation income	–	(3,008)	(36,184)
Cumulative effect of applying accounting standards for asset retirement obligations	–	798	9,600
Reversal of foreign currency translation adjustments resulting from liquidation of a subsidiary	–	(261)	(3,148)
Special retirement benefits	–	225	2,711
Loss on valuation of investments in capital	–	216	2,599
Interest and dividend income	(528)	(488)	(5,869)
Interest expense	1,703	1,371	16,491
Gain on sales of property, plant and equipment	(253)	(986)	(11,858)
Gain on sales of investment securities	–	(792)	(9,535)
Loss on sales of stocks of subsidiaries and affiliates	–	4	48
Gain on sales of business	(870)	–	–
Decrease/(increase) in notes and accounts receivable – trade	4,469	(827)	(9,952)
Decrease/(increase) in inventories	4,741	(2,571)	(30,930)
Increase/(decrease) in notes and accounts payables – trade	(357)	604	7,270
Other, net	1,641	(2,426)	(29,178)
Sub total	39,959	20,965	252,146
Interest and dividends received	696	545	6,564
Interest paid	(1,779)	(1,326)	(15,958)
Compensation received	–	2,714	32,642
Payments for loss on disaster	–	(246)	(2,969)
Income taxes paid	(5,530)	(5,378)	(64,680)
Net cash provided by operating activities	33,345	17,274	207,745
Cash flows from investing activities:			
Purchase of property, plant and equipment	(12,887)	(17,668)	(212,489)
Proceeds from sales of property, plant and equipment	503	1,402	16,871
Purchase of investment securities	(401)	(32)	(387)
Proceeds from sales of investment securities	31	1,881	22,624
Investments in shares of subsidiaries resulting change in scope of consolidation	(222)	(2,732)	(32,866)
Proceeds from sales of stocks of subsidiaries and affiliates	–	20	240
Proceeds from sales of business	870	–	–
Other, net	(1,449)	(1,099)	(13,228)
Net cash used in investing activities	(13,555)	(18,229)	(219,235)
Cash flows from financing activities:			
Increase in short-term bank loans	5,766	12,368	148,748
Increase in commercial paper	3,000	–	–
Proceeds from long-term debt	–	3,852	46,336
Repayment of long-term debt	(25,916)	(888)	(10,680)
Redemption of bonds	(10,000)	–	–
Dividends paid	(2,783)	(2,780)	(33,445)
Proceeds from minority shareholders	1,093	4	58
Cash dividends paid to minority shareholders	(446)	(257)	(3,092)
Repayments of lease obligations	(3,989)	(4,051)	(48,730)
Purchase of treasury stock	–	(1,835)	(22,074)
Other, net	(46)	4	50
Net cash provided by/(used in) financing activities	(33,323)	6,416	77,169
Effects of exchange rate changes on cash and cash equivalents	209	(540)	(6,503)
Net increase/(decrease) in cash and cash equivalents	(13,324)	4,920	59,176
Cash and cash equivalents at beginning of year	19,564	6,239	75,036
Decrease in cash and cash equivalents due to change in scope of consolidation	–	(364)	(4,378)
Cash and cash equivalents at end of year *(Note 3)*	¥ 6,239	¥ 10,795	$ 129,834

The accompanying notes are integral parts of these statements.

Notes to Consolidated Financial Statements (Unaudited)

Nichirei Corporation and Consolidated Subsidiaries

Years ended March 31, 2010 and 2011

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 ¥83.15 = US$1.00, the exchange rate prevailing on March 31, 2011.

Due to significance, notes to "Lease transactions," "Related party transactions," "Financial Instruments," and "Derivative Financial Instruments" are not disclosed in the consolidated financial statements, but disclosed on EDINET.

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 74 majority-owned subsidiaries (74 in 2010). All significant intercompany balances, transactions and profits have been eliminated in consolidation.

Investments in all of its 13 affiliates (13 in 2010) are accounted for by the equity method.

Balance sheet dates of the consolidated subsidiaries are as follows:

End of December:	28 companies	(23 in 2010)
End of January:	0 company	(1 in 2010)
End of February:	1 company	(1 in 2010)

All subsidiaries have been consolidated based on their accounts at their respective balance sheet date. Appropriate adjustments have been made for significant transactions during the period from the respective balance sheet date of the above subsidiaries to the balance sheet date of the Company.

(Change in accounting principle)

Effective from the fiscal year ended March 31, 2011, the Company has adopted "Accounting Standards for Equity Method of Accounting for Investment" (ASBJ Statement No. 16 issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associated Accounted for Using Equity Method" (PITF No. 24 issued on March 10, 2008). As a result of adopting those standards, there is no material impact on income before income taxes and minority interests for the period.

(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

Merchandise, finished goods, work in process, raw materials and supplies held by the Company and its consolidated domestic subsidiaries are principally stated at cost determined by the monthly average method (inventories are written down based on decreased profitability).

Inventories are valued and written down to net realizable value by reflecting decreased profitability of assets, which is similar to the lower-of-cost-or market method. Loss on disposal of obsolete inventories is included in cost of sales.

At consolidated overseas subsidiaries are valued at the lower of cost or market, cost being determined by the first-in first-out basis.

(g) Property, Plant and Equipment and Depreciation (except for Leased Assets)

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.

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

(h) Intangible Assets (except for Leased Assets)

Intangible assets are amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(i) Leased Assets

Tangible leased assets are mainly refrigeration equipment (buildings and structures) in logistics segment. Intangible leased assets are mainly software in logistics segment.

Financial leases other than those which do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method to zero over the lease terms.

(j) 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.

(k) Accrued Directors' Bonuses

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

(l) 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.

(Additional information)

The Company and part of its consolidated subsidiaries have made a transition from defined benefit pension plan (cash balance plan) to combination of a defined contribution pension plan, a prepaid retirement plan and a lump-sum severance benefit plan, and another part of its consolidated subsidiaries have made a transition from a tax-qualified pension plan to combination of a defined contribution pension plan, a prepaid retirement plan and a lump-sum severance benefit plan effective from April 1, 2011.

The Company has adopted "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Implementation Guidance No. 1 issued on January 31, 2002) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (PITF No. 2 issued on March 29, 2002) due to those transitions. As a result of adopting this guidance, the Company recognized loss on revision of retirement benefit plan of ¥6,610 million ($79,496 thousand) for the fiscal year ended March 31, 2011.

(m) 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.

(n) Provision for Loss on Disaster

Provision for loss on disaster is calculated based on the estimated costs of repairing damages caused in the Great East Japan Earthquake.

(o) Revenue Recognition for Construction Contracts

The Company applies the percentage-of-completion method if outcome of construction activity is deemed certain during the course of the activity, otherwise applies the completed-contract method.

(p) Derivative Financial Instruments and Hedge Accounting

The Company and its consolidated subsidiaries enter into foreign exchange forward contracts, coupon swaps, interest rate swaps and other derivatives.

(i) Type of hedge accounting

Derivative financial instruments are stated at fair market value.

When they are used for hedging purpose and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value of derivative financial instruments is deferred until the related losses or gains on hedged items are recognized.

Financial assets and liabilities denominated in foreign currency and hedged by foreign exchange forward contracts and coupon swaps are stated at settlement amounts. Gains and losses on contracts are allocated over the period of contracts.

Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not measured at fair value.

(ii) Hedging instruments and hedged items

Hedging instruments: Derivative financial instruments, such as foreign exchange forward contracts, coupon swaps, interest rate swaps and other derivatives

Hedged items: Financial assets and liabilities denominated in foreign currency, which are exposed to foreign exchange fluctuation risks, not reflected by the fluctuation, and the fluctuation would be hedged by fixing future cash flow

(iii) Hedge policy

Based on the financial instruments management policy, the Company enters into foreign currency forward contracts and coupon swaps to mitigate foreign currency fluctuation risks associated with foreign currency denominated transactions, such as imports/exports of products and direct materials, etc.

For non-recurring foreign currency transactions, the Company determines a hedge policy every time. Interest rate swaps are used, as necessary, to mitigate fluctuation risk on interest rate related to interest-bearing monetary assets and liabilities.

(iv) Effectiveness of hedge

To assess effectiveness of hedge, the Company compares accumulated cash flow fluctuation or market fluctuation on hedged items with those on hedging instruments semiannually. The Company does not assess effectiveness of hedge for foreign exchange forward contracts and coupon swaps stated at settlement amounts, and interest rate swaps which meet specific matching criteria.

(q) Consumption Taxes

Consumption tax and local consumption tax are excluded from revenues and expenses.

(r) 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.

(s) 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, 2010 and 2011 are not presented because there were no bonds to be converted to shares at the year ends.

(t) Valuation of Assets and Liabilities of Consolidated Subsidiaries
Acquisitions of subsidiaries are accounted for by the purchase method and assets and liabilities of the consolidated subsidiaries are initially recorded at fair value.

(u) Goodwill and Negative Goodwill
Consolidation goodwill and negative consolidation goodwill are 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.

However, negative goodwill recognized after April 1, 2010 is credited to income in the period of acquisition.

(v) Changes in Accounting Policy

(i) Application of Accounting Standard for Asset Retirement Obligations
Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). As a result of adopting this standard and guidance, operating income decreased by ¥118 million ($1,426 thousand) and income before income taxes and minority interests decreased by ¥959 million ($11,539 thousand). Upon adoption of this accounting standard and guidance, ¥1,885 million ($22,677 thousand) of asset retirement obligations was recognized at the beginning of the fiscal year ended March 31, 2011.

(ii) Application of Accounting Standard for Business Combinations and Others
Effective from the fiscal year ended March 31, 2011, the Company has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ No. 22 issued on December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

(w) Presentation of Comprehensive Income
Effective from the fiscal year ended March 31, 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). As a result of adopting this standard, the consolidated statements of comprehensive income has been presented for the year ended March 31, 2011. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheets and the consolidated statement of changes in net assets. Amounts disclosed as "accumulated other comprehensive income" and "total accumulated other comprehensive income" as of March 31, 2010 are the amounts previously disclosed as "valuation, translation adjustments and other" and "total valuation, translation adjustments and other."

In addition, "net income before minority interests" is presented in the consolidated statements of income for the year ended March 31, 2011.

Information with respect to comprehensive income for the fiscal year ended March 31, 2010 is as follows:

	Millions of yen
Other comprehensive income:	
Net unrealized gains on available-for-sale securities	¥ 1,483
Net deferred losses on hedge	(27)
Foreign currency translation adjustments	914
Equity in earnings of affiliates accounted for by the equity method	12
Total other comprehensive income	¥ 2,381
Comprehensive income attributable to:	
Owners of the parent	¥ 11,346
Minority interests	274
Total comprehensive income	¥ 11,621

Note 3: Cash and Cash Equivalents

Cash and cash equivalents on the consolidated statements of cash flows as of March 31, 2010 and 2011 are comprised as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Cash and deposits	¥ 6,272	¥ 10,795	$ 129,834
Time deposits over 3 months	(33)	–	–
Cash and cash equivalents	¥ 6,239	¥ 10,795	$ 129,834

Note 4: Inventories

Inventories as of March 31, 2010 and 2011 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Merchandise and finished goods	¥ 23,868	¥ 25,763	$ 309,849
Work in process	316	395	4,751
Raw materials and supplies	3,316	3,621	43,558
	¥ 27,501	¥ 29,780	$ 358,159

Write-down in inventories held for sale in the ordinary course of business reflecting decreased profitability amounted to ¥112 million and ¥52 million ($633 thousand) and were included in cost of sales for the years ended March 31, 2010 and 2011, respectively.

Note 5: Securities

(1) Acquisition costs, carrying value and unrealized gain on available-for-sale securities as of March 31, 2010 and 2011:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Equity securities:			
Acquisition costs	¥ 11,269	¥ 14,038	$ 168,829
Carrying value	17,132	17,566	211,264
Unrealized gain	¥ 5,863	¥ 3,528	$ 42,435

Non-listed equity securities amounting to ¥1,468 million and ¥1,439 million ($17,308 thousand) as of March 31, 2010 and 2011, respectively, are not included in above table because they are not traded on market and very difficult to determine their fair market value.

(2) Sales of available-for-sale securities for the years ended March 31, 2010 and 2011:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Proceeds from sales	¥ 31	¥ 1,883	$ 22,655
Gains on sales	9	827	9,952
Losses on sales	9	34	416

(3) Aggregate carrying value of available-for-sale securities with no available fair value as of March 31, 2010 and 2011:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Non-listed equity securities	¥ 1,393	¥ 1,373	$ 16,519

(4) Impairment loss of securities for the years ended March 31, 2010 and 2011:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Available-for-securities:			
Stocks with market values	¥ 44	¥ 35	$ 427
Stocks without market values	9	3	38
	¥ 53	¥ 38	$ 466

Note 6: Impairment of Fixed Assets

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

Because i) use of those idle assets is not determined, ii) there is substantial decline in market values and constant losses from operating activities, and iii) further use of closing assets are not expected, the Company reduced carrying value of the assets to recoverable amounts, and recognized the reduced values as impairment losses amounting to ¥765 million and ¥447 million ($5,381 thousand) for the years ended March 31, 2010 and 2011, respectively.

Discount rate used to determine fair value was 5.6%. Net realizable values are calculated based on the value assessed for property tax purpose.

(1) For the year ended March 31, 2010

Primary use	Type of asset	Location	Impairment loss *Millions of yen*	Recoverable value
Idle assets	Land	Sakaiminato City, Tottori Prefecture	¥ 17	Net realizable value
	Intangible asset	Chuo Ward, Tokyo, etc.	0	Value in use
Assets for processed foods business	Machinery and equipment	Shanghai, China	98	
	Buildings and structures	Chuo Ward, Tokyo	1	
	Other		0	
	Software		133	
	Leased assets		63	
	Goodwill		231	
Distribution center (Closing)	Buildings and structures	Saitama City, Saitama Prefecture	89	
	Machinery and equipment		28	
Assets for welfare (Closing)	Buildings and structures	Shimotakai-gun, Nagano Prefecture	99	
	Other		0	

(2) For the year ended March 31, 2011

Primary use	Type of asset	Location	Impairment loss *Millions of yen*	Impairment loss *Thousands of U.S. dollars*	Recoverable value
Idle assets	Land	Sakaiminato City, Tottori Prefecture	¥ 3	$ 37	Net realizable value
	Buildings and structures	Inazawa City, Aichi Prefecture	271	3,269	Value in use
	Machinery and equipment		21	254	
	Leased assets		6	80	
	Other		0	6	
	Intangible asset	Chuo Ward, Tokyo, etc.	4	56	
Distribution center (Closing)	Land	Komatsu City, Ishikawa Prefecture	53	643	Net realizable value
	Buildings and structures		30	370	Value in use
	Machinery and equipment		4	55	
	Other		0	0	
	Intangible asset		0	4	
Assets for lease (Transferring)	Land	Konohana Ward, Osaka Prefecture	50	601	Net realizable value

Note 7: Investments and Rental Properties

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

(1) Carrying value on the consolidated balance sheets, increase or decrease during the year, as well as market value of the properties as of March 31, 2010 and 2011:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Carrying value at April 1	¥ 17,478	¥ 17,440	$ 209,741
Net decrease	(38)	(5,181)	(62,310)
Carrying value at March 31	¥ 17,440	¥ 12,258	$ 147,431
Market value as of March 31	¥ 60,459	¥ 41,323	$ 496,976

1. Carrying values on the consolidated balance sheets are calculated as acquisition costs deducting accumulated depreciation and cumulative impairment losses.
2. Major decreases for the years ended March 31, 2010 and 2011 were an impairment loss of ¥44 million for idle land in Gifu City and ¥4,226 million ($50,829 thousand) caused by excluding Riverside Funding Corp. from consolidation, respectively.

3. Market values of major assets as of March 31, 2010 and 2011 are based on appraisals obtained from outside real estate appraisers. Market values of other relatively immaterial assets are based on certain valuation and other indicator properly reflected by market prices.

(2) Revenue and expense related to investment and rental properties for the years ended March 31, 2010 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Revenue	¥ 5,226	¥ 4,833	$ 58,128
Expense	1,441	1,391	16,735
Difference	¥ 3,784	¥ 3,441	$ 41,393
Other (*1)	¥ 253	¥ (12)	$ (154)

(*1) Other is composed of gain/loss on sales and impairment loss on the investments and rental properties, and included in other income/(expense) on the consolidated statements of income.

Note 8: Asset Retirement Obligations

The Company accounts for asset retirement obligations, consisting primarily of restoration costs associated with fixed-term lease agreement of refrigerated storage.

Asset retirement obligations were calculated based on the followings:

Estimated useful life: 12 ~ 50 years

Discount rate: 1.564 ~ 2.436 % (4.306 % for overseas)

The change in the carrying value of asset retirement obligations for the year ended March 31, 2011 was as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of the year	¥ 1,885	$ 22,677
Liabilities incurred	515	6,196
Accretion expense	45	541
Change in foreign currency exchange rates	(46)	(564)
Balance at end of the year	¥ 2,398	$ 28,851

Note 9: 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 either the capital reserve nor the legal reserve is available for distributions. The legal reserve as of March 31, 2010 and 2011 was ¥39 million and ¥39 million ($474 thousand), respectively.

Note 10: Changes in Net Assets

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

For the year ended March 31, 2010

(Number of shares)

Type of stock	As of March 31, 2009	Increases	Decreases	As of March 31, 2010
Issued stock: Common stock	310,851,065	–	–	310,851,065
Treasury stock: Common stock	782,907	154,726	12,982	924,651

(Reasons for changes)

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

- Request for redemption of odd-lot stock 154,723 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. 3 shares

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

- Request for additional purchase of odd-lot stock 12,982 shares

For the year ended March 31, 2011

(Number of shares)

Type of stock	As of March 31, 2010	Increases	Decreases	As of March 31, 2011
Issued stock: Common stock	310,851,065	–	–	310,851,065
Treasury stock: Common stock	924,651	4,808,775	10,951	5,722,475

(Reasons for changes)

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

- Acquisition by market transaction 4,702,000 shares
- Request for redemption of odd-lot stock 106,774 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 1 shares

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

- Request for additional purchase of odd-lot stock 10,951 shares

(2) Cash dividends distributed

Dividends paid during the fiscal year ended March 31, 2011

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 25, 2010	Common stock	¥ 1,549 $ 18,636	¥ 5 $ 0.06	March 31, 2010	June 28, 2010
Directors' meeting on October 26, 2010	Common stock	¥ 1,239 $ 14,908	¥ 4 $ 0.04	September 30, 2010	December 3, 2010

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 24, 2011	Common stock	Retained earnings	¥ 1,525 $ 18,348	¥ 5 $ 0.06	March 31, 2011	June 27, 2011

Note 11: Other Income/(Expenses)

Other income/(expenses) – Other, net for the years ended March 31, 2010 and 2011 consisted primarily of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Gain on sales of property, plant and equipment	¥ 289	¥ 1,002	$ 12,052
Gain on sales of investment securities	–	827	9,952
Gain on sales of business	870	–	–
Loss on sales and disposal of property, plant and equipment	(906)	(451)	(5,433)
Impairment loss on fixed assets	(765)	(447)	(5,381)
Loss on discontinued operations	(512)	(354)	(4,262)
Loss on valuation of investment securities	(53)	(38)	(466)
Compensation income	–	3,008	36,184
Loss on revision of retirement benefit plan	–	(6,610)	(79,496)
Loss on disaster	–	(3,196)	(38,436)
Cumulative effect of applying accounting standards for asset retirement obligations	–	(798)	(9,600)
Other, net	(179)	120	1,447
	¥ (1,258)	¥ (6,937)	$ (83,439)

Note 12: 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, 2010 and 2011. The effective tax rates reflected in the accompanying consolidated statements of operations differ from the statutory tax rate for the following reasons:

	2010	2011
Statutory tax rate	40.6%	40.6%
Entertainment and other non-deductible expenses	2.0	3.5
Dividends exempted for income tax purpose	(0.4)	(0.6)
Inhabitant per capita taxes	1.0	1.6
Tax rate differences of oversea affiliates	(1.8)	(1.7)
Undistributed earnings of overseas affiliates	–	(4.6)
Change in valuation allowance	(4.5)	19.2
Tax credit for research and development expenses	(0.6)	(1.6)
Deductible impairment loss on investment of affiliates	(0.7)	–
Equity in earnings of affiliates accounted for by the equity method	–	(0.8)
Other, net	0.1	(1.7)
Effective tax rate	35.8%	53.9%

The components of deferred tax assets and deferred tax liabilities as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Establishment of employees' retirement benefit trust	¥ 5,658	¥ 566	$ 6,807
Excess allowance for employees' retirement benefits	1,369	1,583	19,043
Net operating loss carry forwards	1,616	1,889	22,721
Loss on valuation of investment securities	–	1,127	13,557
Accrued employees' bonus	592	704	8,478
Unrealized gain/loss on fixed assets	438	238	2,873
Depreciation	333	–	–
Impairment loss on fixed assets	1,388	413	4,976
Unrealized gain/loss on asset transfer	–	1,153	13,874
Asset retirement obligations	–	768	9,246
Provision for loss on disaster	–	329	3,964
Impact of applying the accounting standard for lease transactions	593	687	8,263
Other	3,040	2,653	31,909
Total gross deferred tax assets	15,030	12,116	145,718
Less valuation allowance	(3,076)	(4,848)	(58,316)
Deferred tax assets	11,954	7,267	87,402
Deferred tax liabilities:			
Unrealized holding gain on available-for-sale securities	(2,112)	(1,227)	(14,762)
Gain on securities contributed to employees' retirement benefit trust	(2,606)	–	–
Reserve and special reserve for advanced depreciation of property, plant and equipment	(1,231)	(1,821)	(21,909)
Other, net	(4,535)	(2,283)	(27,458)
Deferred tax liabilities	(10,486)	(5,332)	(64,131)
Net deferred tax assets	¥ 1,467	¥ 1,935	$ 23,271

Note 13: Contingent Liabilities

As of March 31, 2010 and 2011, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
As guarantor of indebtedness of affiliates	¥ 2,277	¥ 2,197	$ 26,426
As guarantor of indebtedness of employees	48	25	305
Total	¥ 2,326	¥ 2,222	$ 26,732

Note 14: Research and Development Expenses

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were ¥1,986 million and ¥1,806 million ($21,720 thousand), respectively.

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

(1) Accrued directors', statutory auditors' and employees' retirement benefits as of March 31, 2010 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Employees' retirement benefits	¥ 3,514	¥ 3,809	$ 45,811
Directors' and statutory auditors' retirement benefits	318	343	4,134
Total	¥ 3,832	¥ 4,152	$ 49,945

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.

Since Ministry of Health, Labor and Welfare approved an termination of contract-type corporate pension as of March 31, 2010, the Company and part of its consolidated subsidiaries transferred from defined benefit pension plan (cash balance plan) to combination of a defined contribution pension plan, a prepaid retirement plan and a lump-sum severance benefit plan, and another part of its consolidated subsidiaries have made a transition from a tax-qualified pension plan to combination of a defined contribution pension plan, a prepaid retirement plan and a lump-sum severance benefit plan effective from April 1, 2011.

(2) Funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets for the defined benefit plans as of March 31, 2010 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected retirement benefit obligation	¥ 21,448	¥ 17,972	$ 216,144
Fair value of plan assets	(18,850)	(15,604)	(187,663)
Unrecognized actuarial loss	(7,118)	(49)	(592)
Unrecognized prior service cost	1,002	–	–
Prepaid pension cost	7,032	1,490	17,922
Accrued employees' retirement benefits	¥ 3,514	¥ 3,809	$ 45,811

Part of its consolidated subsidiaries determine the projected benefit obligation using the simplified method whereby the projected benefit obligation is estimated at the amount that would be payable if the eligible employees terminate the employment.

Effective from April 1, 2011, the Company and part of its consolidated subsidiaries have made a transition to combination of a defined contribution pension plan, a prepaid retirement plan and a lump-sum severance benefit plan and the effect of this transition was as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease in employees' retirement benefit obligation	¥ (341)	$ (4,104)
Unrecognized actuarial loss	6,891	82,878
Unrecognized prior service cost	(802)	(9,646)
Contribution associated with termination of plan	862	10,367
Decrease in prepaid pension cost (or increase in accrued employees' retirement benefits)	¥ 6,610	$ 79,496

Estimated transferring cash of ¥2,975 million ($35,783 thousand) will be transferred to defined contribution pension fund over 4 years.

(3) Components of retirement benefit expenses for the years ended March 31, 2010 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service cost	¥ 1,270	¥ 1,312	$ 15,781
Interest cost	387	389	4,678
Expected return on plan assets	(90)	(169)	(2,036)
Amortization of unrecognized prior service cost	(200)	(200)	(2,405)
Amortization of unrecognized actuarial loss	1,171	1,018	12,254
Other	263	264	3,175
Retirement benefits expenses	¥ 2,801	¥ 2,614	$ 31,449

(4) Actuarial assumptions used for the years ended March 31, 2010 and 2011:

	2010	2011
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 as of March 31, 2010 and 2011 are calculated based on the followings:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Net assets	¥ 122,694	¥ 117,748	$ 1,416,100
Net assets attributable to common stock	119,468	115,058	1,383,741
Amounts excluded from net assets:			
Minority interest	3,225	2,690	32,358
Number of common stock used for the calculation on net assets per share (in thousand)	309,926	305,128	

Net income per share for the years ended March 31, 2010 and 2011 are calculated based on the followings:

	Millions of yen		*Thousands of U.S. dollars*
	2010	2011	2011
Net income	¥ 9,064	¥ **4,044**	$ **48,637**
Net income attributable to common stock	9,064	**4,044**	**48,637**
Amounts not attributable to common shareholders	–	–	–
Average number of common stock during the fiscal year (in thousand)	310,018	**309,147**	

Note 17: Segment Information

(1) General information about reportable segments

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

General information about the segments is as follows.

(a) Processed foods: Production, processing and sales of frozen cooked foods, agricultural processed foods, retort-pouch foods, wellness foods, acerola and packed ice, and consulting
(b) Marine products: Processing and sales of marine products
(c) Meat and poultry products: Processing and sales of meat and poultry products, and breeding and sales of food chicken
(d) Logistics: Providing distribution/transportation service and distribution center function, logistics consulting, providing storage service, production and sales of ice, and construction work and planning
(e) Real estate: Sales of housing land, leasing of office buildings and parking lot, management of real estate, and production and sales of orchid

(2) The basis of measurement for sales, profit or loss, assets, liabilities and other items of reportable segments

Accounting policies and methods used at operating segments are the same as those applied to the Company described on Note 2. Profit or loss of reportable segments is equal to operating income on the consolidated statements of income. Intercompany sales and transfers are based on third-party transaction prices.

(3) Sales, profit or loss, assets, liabilities and other items by reportable segment for the years ended March 31, 2010 and 2011 were summarized as follows:

Year ended March 31, 2010 (Millions of Yen)

	Reportable segment									
	Processed foods	*Marine products*	*Meat and poultry products*	*Logistics*	*Real estate*	*Total*	*Other*	*Total*	*Adjustment*	*Consolidated*
Sales:										
External sales	¥ 161,651	¥ 66,909	¥ 75,269	¥ 125,275	¥ 5,703	¥ 434,809	¥ 3,301	¥ 438,111	¥ –	¥ 438,111
Intercompany sales and transfers	421	282	2,374	13,740	1,411	18,231	3,496	21,727	(21,727)	–
Total	162,073	67,192	77,643	139,016	7,114	453,040	6,798	459,838	(21,727)	438,111
Segment profit	2,561	893	676	7,883	3,680	15,695	476	16,172	641	16,814
Segment assets	79,220	21,933	14,127	126,236	25,007	267,524	4,265	271,790	5,705	277,496
Other items:										
Depreciation	3,625	128	229	7,852	1,030	12,866	108	12,975	531	13,506
Amortization of goodwill	64	1	–	121	5	192	–	192	–	192
Investments in equity method investees	–	99	174	1,354	28	1,656	–	1,656	1,107	2,764
Increase in property, plant and equipment and intangible assets	¥ 6,115	¥ 328	¥ 128	¥ 17,239	¥ 551	¥ 24,364	¥ 71	¥ 24,435	¥ 323	¥ 24,758

Year ended March 31, 2011 (Millions of Yen)

	Reportable segment									
	Processed foods	*Marine products*	*Meat and poultry products*	*Logistics*	*Real estate*	*Total*	*Other*	*Total*	*Adjustment*	*Consolidated*
Sales:										
External sales	¥ **161,560**	¥ **66,539**	¥ **76,451**	¥ **124,988**	¥ **5,314**	¥ **434,853**	¥ **2,955**	¥ **437,808**	¥ **–**	¥ **437,808**
Intercompany sales and transfers	**328**	**285**	**1,838**	**14,426**	**1,304**	**18,182**	**3,280**	**21,463**	**(21,463)**	**–**
Total	**161,888**	**66,824**	**78,289**	**139,414**	**6,619**	**453,036**	**6,236**	**459,272**	**(21,463)**	**437,808**
Segment profit	**4,609**	**592**	**388**	**7,296**	**3,558**	**16,446**	**417**	**16,863**	**(182)**	**16,681**
Segment assets	**79,696**	**22,642**	**13,664**	**130,745**	**19,296**	**266,046**	**3,835**	**269,882**	**14,680**	**284,562**
Other items:										
Depreciation	**3,763**	**131**	**211**	**8,476**	**946**	**13,530**	**97**	**13,627**	**531**	**14,158**
Amortization of goodwill	**76**	**2**	**–**	**61**	**–**	**140**	**–**	**140**	**–**	**140**
Investments in equity method investees	**–**	**107**	**191**	**1,358**	**–**	**1,657**	**–**	**1,657**	**1,181**	**2,839**
Increase in property, plant and equipment and intangible assets	¥ **9,138**	¥ **148**	¥ **74**	¥ **14,482**	¥ **261**	¥ **24,105**	¥ **105**	¥ **24,211**	¥ **834**	¥ **25,046**

	Year ended March 31, 2011 (Thousands of US dollars)									
	Reportable segment									
	Processed foods	Marine products	Meat and poultry products	Logistics	Real estate	Total	Other	Total	Adjustment	Consolidated
Sales:										
External sales	$ 1,943,000	$ 800,232	$ 919,439	$ 1,503,168	$ 63,914	$ 5,229,750	$ 35,538	$ 5,265,288	$ –	$ 5,265,288
Intercompany sales and transfers	3,944	3,428	22,110	173,494	15,690	218,669	39,458	258,128	(258,128)	–
Total	1,946,945	803,661	941,545	1,676,662	79,605	5,448,420	74,997	5,523,417	(258,128)	5,265,288
Segment profit	55,434	7,126	4,677	87,756	42,795	197,791	5,019	202,811	(2,192)	200,619
Segment assets	958,471	272,304	164,340	1,572,408	232,072	3,199,598	46,131	3,245,729	176,550	3,422,279
Other items:										
Depreciation	45,266	1,585	2,537	101,947	11,384	162,721	1,170	163,891	6,387	170,279
Amortization of goodwill	914	32	–	736	–	1,683	–	1,683	–	1,683
Investments in equity method investees	–	1,297	2,303	16,332	–	19,933	–	19,933	14,213	34,147
Increase in property, plant and equipment and intangible assets	$ 109,900	$ 1,782	$ 900	$ 174,178	$ 3,145	$ 289,908	$ 1,270	$ 291,179	$ 10,041	$ 301,220

Notes:
1. "Other" represents operating segments not disclosed as reportable segments, which include production and sales of diagnostic agents, cosmetic materials and cosmetic products, finance, accounting, human resource and general affairs services, insurance agent, tree planting management and cleaning services related to tree planting.
2. The information for the fiscal year ended March 31, 2010 is provided in accordance with "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008), which have been adopted since the fiscal year ended March 31, 2011.

Note 18: Subsequent events

The Company conducted an acquisition of its own shares in accordance with the decision of the Company's Board of Directors held on December 21, 2010 under Article 156 of the Corporation Law of Japan, as applied pursuant to Article 165-3 of the said Corporation Law. The details are as follows:

(a) Class of acquired shares: Common shares
(b) Total number of acquired shares: 2,298,000 shares
(c) Total amount of acquired shares: ¥808,840,000 ($9,727 thousand)
(d) Acquisition period: From June 1, 2011 to June 15, 2011

As a result of this acquisition, the Company completed the acquisition of its own shares in accordance with the decision of the Company's Board of Directors held on December 21, 2010.

(For reference)

1. Resolution of the Company's Board of Directors held on December 21, 2010
   (1) Class of shares to be acquired: Common shares
   (2) Total number of shares that can be acquired: 7 million shares (upper limit)
   This represents 2.26% of total issued and outstanding (excluding treasury stock)
   (3) Total acquisition cost of shares: ¥2,800 million ($33,674 thousand) (upper limit)
   (4) Acquisition period: From December 22, 2010 to June 23, 2011
2. Total acquired shares in accordance with the said Company's Board of Directors
   (1) Total number of acquired shares: 7 million shares
   (2) Total acquisition cost: ¥2,604,316,000 ($31,320 thousand)

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Established
December 1, 1945

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

Paid-in Capital
¥30,307 million

No. of Shareholders
28,633

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

No. of Full-Time Employees
10,118

Shareholder Register Administrator
Mizuho Trust & Banking Co., Ltd.
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Annual Meeting of Shareholders
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