

## **FOR IMMEDIATE RELEASE**

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Stock Listing: Tokyo Stock Exchange and Osaka Securities Exchange (First Sections)

### **Nichirei Group Announces Its New Medium-Term Business Plan (Fiscal 2008–Fiscal 2010)**

Nichirei Corporation has formulated a new Medium-Term Business Plan for the period from fiscal 2008 through fiscal 2010. A summary of the Plan is provided below.

#### **I. Summary of the Previous Medium-Term Business Plan (Fiscal 2005–Fiscal 2007)**

The Nichirei Group has achieved the major themes of its previous Medium-Term Business Plan, as follows.

1. Rapid implementation of a business growth strategy emphasizing the efficient use of capital
  - (1) The Nichirei Group focused on improving the profitability of each business while carefully monitoring the turnover of capital employed. Capital investment was restrained, operating cash flow was prioritized for the repayment of interest-bearing debt, and inefficient assets were sold. As a result of these stringent efforts, the balance of interest-bearing debt was reduced to ¥72.9 billion as of March 31, 2007, one-third the level compared with the challenging financial condition in March 31, 1998. The financial standing has now returned to a sound and comfortable level.
  - (2) Processed Foods has increased its profits through growth in prepared frozen foods for commercial use and reform of manufacturing systems and cost reduction measures. The health-value segment, which offers strong future growth potential, commenced direct sales of calorie-controlled frozen foods. Logistics has realized a large recovery in profitability through reinvigoration of the Regional Storage business and also large increases in sales and profit in the Logistics Network especially in such major future growth fields as logistics outsourcing services and joint distribution services. Marine Products, under difficult operating conditions caused by a drastic change in procurement due to a worldwide rise in demand for marine products, has been implementing a revitalization plan through such measures as significant staff retrenchment at the end of fiscal 2006.
2. Establishment of a Group management system as a platform for the execution of business strategies
  - (1) The Nichirei Group formed a holding company structure in April 2005. The holding company has successfully established a solid management system that allowed a significant amount of authority to enable an acceleration of the decision-making process and to raise awareness among employees for participatory management, while providing appropriate governance and monitoring framework for the operating companies.

#### **II. Overall Strategy and Numerical Goals of the New Medium-Term Business Plan**

Backed by the achievements under the previous Medium-Term Business Plan—the much sounder financial base, profit-generating capabilities of its core businesses and flexible management structure—the Nichirei Group has designated the coming three-year period starting from April 2007 as a period for focusing on more

aggressive business growth and taking on new challenges. To maximize shareholder value, the operating cash flows generated by the core businesses can be prioritized for investment in growth fields, thereby helping to expand the Nichirei Group's profit base. The Group's planned capital investment will amount to ¥54.0 billion during the next three years. The Nichirei Group aims to achieve a consolidated return on equity (ROE) of 10% in the medium term, although this goal will not be met by the smaller margin at the end of this new three-year Plan. Regarding the target for shareholder return, the Group is set for a consolidated dividend on equity (DOE) ratio of 2.5% and a consolidated dividend payout ratio of 25%.

The Nichirei Group will implement the following specific strategies.

- (i) Aggressively work to create customer value, thereby promoting business growth.
- (ii) Develop global businesses based on the Group's strong domestic base.
- (iii) Build business alliances and use M&A to enhance corporate value.
- (iv) Bolster the quality assurance systems.
- (v) Establish a rigorous Group governance system.
- (vi) Collaborate with the community based on a corporate social responsibility (CSR) perspective.
- (vii) Promote an organizational culture for a rewarding work environment.

#### 1. Numerical goals of the Plan

Unit: billion yen

Consolidated base:	Fiscal year ending March 31, 2010
Net sales	533.1
Operating income	22.6
Recurring income	20.8
Net income	11.4
Net income per share (yen)	36.76
Return on equity (%)	9.0

#### 2. Net sales and operating income by segment

Unit: billion yen

Segment	Fiscal year ending March 31, 2010	
	Net sales	Operating income
Processed Foods	200.0	9.7
Marine Products	90.0	0.6
Meat & Poultry Products	100.0	0.9
Logistics	159.0	7.8
Real Estate	7.4	3.4
Other	8.1	0.5
(Inter-company eliminations and corporate)	(31.4)	(0.3)
Total	533.1	22.6

### III. Business Strategies for Operating Companies

#### 1. Processed Foods (Nichirei Foods Inc.)

Diversifying lifestyles and changing family patterns will continue to drive increasing needs for processed food products. Nichirei Foods believes there are significant growth opportunities in providing meal solutions.

Nichirei Foods aims to strengthen all facets of its operations as a food manufacturer, from procurement to production and marketing, and to achieve an operating income margin of 4.8%.

- (1) Health-value products as growth segment (wellness foods; acerola products)
  - (a) Collaborate with outside partners in such areas as exercise and healthcare to develop solutions for the prevention of lifestyle-related diseases in addition to the current calorie-controlled processed foods.
  - (b) Develop an acerola ingredients business supplying to the global market in order to increase profit opportunities in addition to a brand-based beverage business.
- (2) Main business lines comprising prepared frozen foods, ambient foods and agricultural products
  - (a) Radically overhaul its profit structure as a food manufacturer by further selecting and focusing on certain product categories.
    - Build strong brand leadership positions in this focused line of products and achieve cost reductions by focusing on measures to improve factory utilization ratios by focusing on six main products for the household-use market and six main categories for the commercial-use market.
    - Strengthen manufacturing profit margins by bolstering in-house production ratios and reassessing relationships with subcontractors on these focused products.
  - (b) Realizing effective product development through a change in mindset.
    - Shift to a project-based development system, which responds flexibly to new ideas.
    - Develop local area-specific products for household use; in the commercial-use market, develop private-brand products aimed at major pre-prepared meal companies and strengthen offerings to the restaurant, catering and wholesale clients.
- (3) Global market development
  - (a) Develop global markets as a manufacturer of prepared food products based on a renewed understanding of each country's food culture and needs.

## 2. Marine Products and Meat & Poultry Products (Nichirei Fresh Inc.)

Nichirei Fresh is working hard on the business revitalization plan for Marine Products, which is currently recording good progress, and return to profitability. Nichirei Fresh aims to build a business model and profit base that originates from an uncompromising insistence on quality, which has won the valuable trust of customers over many years.

- (1) Achieve the business revitalization plan for Marine Products by the first half of the Plan, and return to profitability.
- (2) Pursue an expansion of business domain from a global perspective.
  - (a) Seek an optimal balance among procurement, processing and marketing and build sales and marketing systems focusing on promising overseas markets.
  - (b) Bolster its product development and procurement capabilities in relation to quality ingredients through investment and M&A, while expanding into new business fields both upstream and downstream.
- (3) Fulfill customer needs through optimal levels of processing and strengthen customer reach.
  - (a) Meet customer needs accurately, and build a system for providing the optimal level of processing from ingredients to processing.
- (4) Build quality assurance systems focusing on stringent quality management.

## 3. Logistics (Nichirei Logistics Group Inc.)

Logistics is faced with a range of trend changes and challenges including progress in logistics reforms driven by downstream stakeholders, increases in logistics costs and a greater need to reduce the environmental

burden, which are accelerating the adoption of joint distribution services. Logistics recognizes that logistics businesses require comprehensive logistics solutions capabilities as a major growth driver. Logistics aims to further bolster capital efficiency and to solidify its position as the No. 1 food logistics group by strengthening the transportation and delivery functions for the Logistics Network, and services tailored to meet local needs and further promoting low-cost operations for Regional Storage.

- (1) Aim for growth in both sales and operating income for the Logistics Network.
  - (a) Promote further low-cost operation through high utilization of delivery vehicles.
  - (b) Expand the delivery and transportation businesses by focusing on joint logistics among food manufacturers.
  - (c) Expand new business fields and new customers including cooperatives and fresh produce logistics.
  - (d) Pursue strategic M&A for sales growth.
- (2) Solidify the profit base for Regional Storage.
- (3) Build a business model that cultivates a strong base specific to each local area to achieve a competitive edge.
  - (a) Carry out a “scrap and build” operation in view of the future operating environment.
  - (b) Implement further low-cost operations.
- (4) Reinforce the operating base of overseas businesses.
  - (a) Expand rapidly into central and Eastern Europe by establishing a business base in Poland while restoring profitability in operations in Western Europe.
  - (b) Secure a profit base for its Chinese operations through the early opening of a new logistics center in China.

#### 4. Real Estate

Real Estate seeks to build up its profit base by providing support services for the effective use, management and maintenance of real estate properties owned by the Nichirei Group as well as striving to enhance the profitability of its office leasing business.

#### 5. Other Businesses

- (1) Biosciences business (Nichirei Biosciences Inc.)
  - Based on its profitable main business of animal cell-culture media products, Biosciences aims to expand sales of its diagnostic kits and immunohistochemical stain products, and is continuing its exploratory work in the area of new functional materials.
- (2) Corporate Shared Services (Nichirei Corporation, Nichirei ProServe Inc.)
  - Through an organic coordination between the corporate staff function and the shared services function, these businesses seek to promote the autonomy and independence of each of the Group’s operating companies and to enhance the corporate value of the Nichirei Group as a whole.

### IV. Inquiries

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